DON'T MISS THE BUILDER LIVINGHOME SHOW HOME AT THE 2009 IBS, SEE PAGE 50

BUSINESS UPDATE
ILLEGAL INCENTIVES?
See page 53

Builder

hanley▲wood
THE MAGAZINE OF THE NATIONAL ASSOCIATION OF HOME BUILDERS
NOVEMBER 2008



Cottage Industry

Small Homes Loom Large in Today's Market

Long, Hard Winter:
Builders struggle to survive

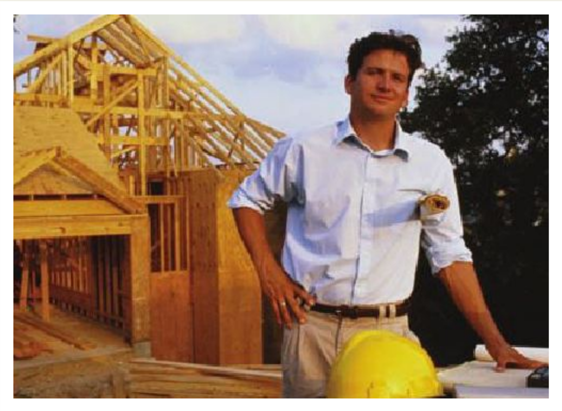
Rebuilding After Disasters:
Profiles in perseverance

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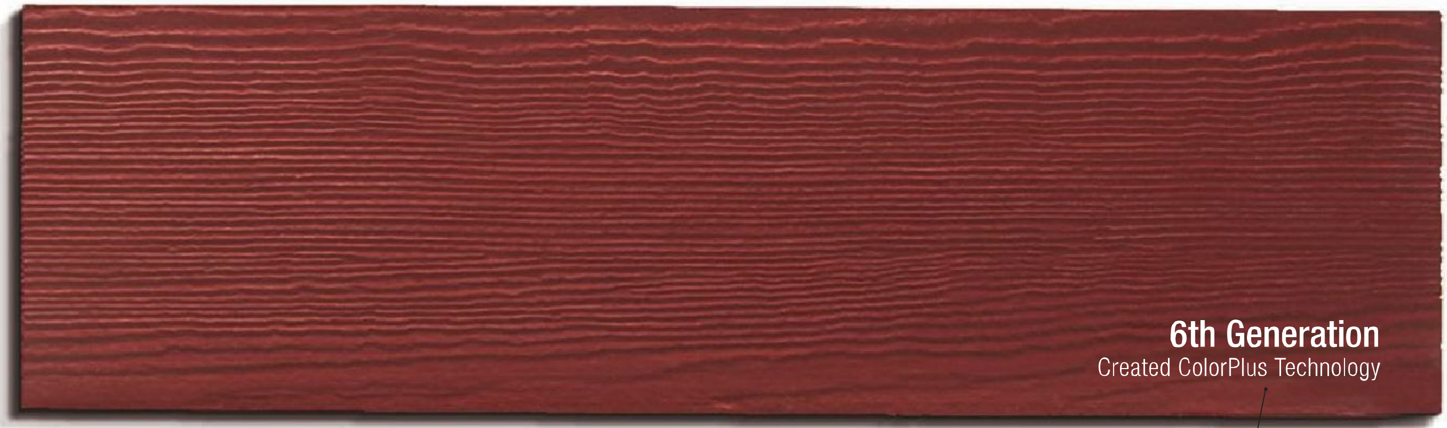
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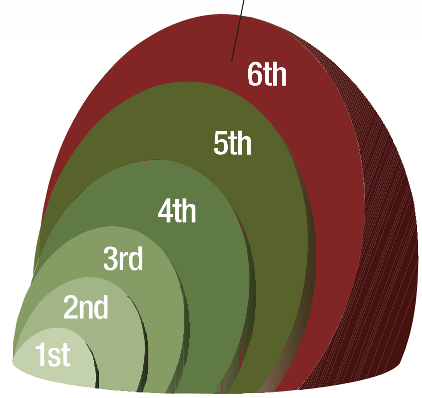
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Builder

VOLUME 31 ISSUE 13 NOVEMBER 2008







FEATURES

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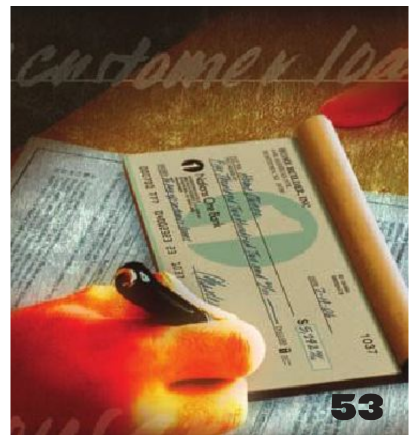
DEPARTMENTS

ON THE COVER: CHARMING DETACHED COTTAGES ARE JUST ONE OF THE MANY HOUSING TYPES OFFERED AT NEW TOWN, A NEW URBANIST COMMUNITY IN ST. CHARLES, MO.

COVER PHOTO: SAM FENTRESS











WHAT'S NEW ON: WWW.BUILDERONLINE.COM

Builder Online

Extra! Extra!

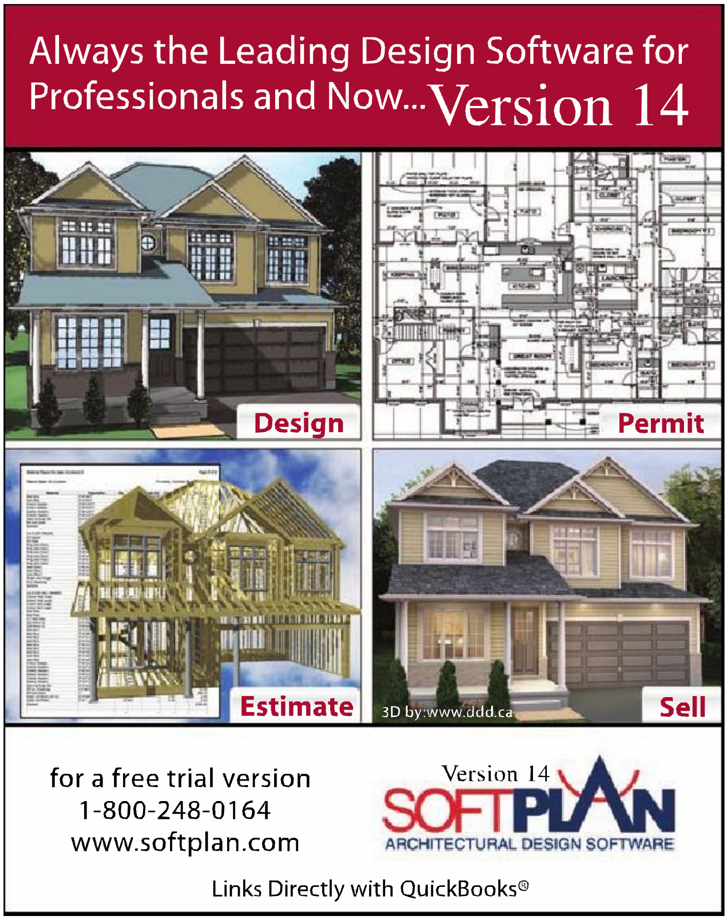
Don't miss the Web-only supplement to this month's cover story, a look at the holdups in Louisiana's post-Katrina rebuild and the role that Katrina Cottages are playing. And when it comes to cold, hard facts, no one has more of the news builders care about than Builder Online. Whether it be business, banking, the economy, or anything else that affects your business, Builder Online has it covered. Check in often for daily breaking stories covering industry news you need to know.

COMMENTS, SUGGESTIONS, AND NEWS FOR BUILDER ONLINE?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

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BOYCE THOMPSON | Editorial Director • 202-736-3455
DENISE DERSIN | Editor in Chief • 202-736-3341
ERIN MAYES | Art Director • emayes@hanleywood.com
DEBORAH LEOPOLD | Managing Editor • 202-736-3380
ETHAN BUTTERFIELD | Senior Editor • 202-736-3452
JOHN CAULFIELD | Senior Editor • 732-257-6319
PAT CURRY | Senior Editor • 706-543-9268
NIGEL F. MAYNARD | Senior Editor • 202-736-3438
ALISON RICE | Senior Editor • 571-312-7433
JENNY SULLIVAN | Senior Editor • 202-736-3483
CLAIRE KOLTKO | Associate Editor, Copy • 202-729-3553
MELISSA GOLDWEITZ | Senior Graphic Designer • 202-729-3561
SOLA AYENI-BIU | Administrative Assistant • 202-729-3506
JOHN BUTTERFIELD | Editorial Director Online • 202-736-3413
KYLE GUSTAFSON | Senior Web Editor • 202-729-3568
CONTRIBUTING EDITORS | David F. Seiders | William Devereaux | Rich Binsacca | Scott Sedam | Ted Cushman | Ivy Zelman

CATHY UNDERWOOD | Director of Production & Production Technologies
AMY DEAN | Lead Production Manager
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NICKY STERLING | Marketing Coordinator/Seminars

WARREN P. NESBITT | Executive Director/Residential New Construction • 202-736-3328
JEFFREY CALORE | Publisher • 202-380-3766
ALEC DANN | General Manager Online/Residential New Construction • 202-729-3576
PAUL TOURBAF | Vice President Sales and Development/Residential New Construction • 202-729-3629

HANLEY WOOD BUSINESS MEDIA

PETER M. GOLDSTONE | President • 202-736-3304
RON KRAFT | Director/Finance
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EDITORIAL AND ADVERTISING OFFICES:
One Thomas Circle, N.W., Suite 600, Washington, DC 20005
Phone: 202-452-0800; Fax: 202-785-1974
SUBSCRIPTION INQUIRIES AND BACK ISSUE ORDERS:
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ADVERTISING SALES OFFICES

WARREN P. NESBITT | Executive Director/Residential New Construction
Phone: 202-736-3328 Fax: 202-785-1974
E-mail: wnesbitt@hanleywood.com

JEFFREY CALORE | Publisher
Phone: 202-380-3766 Fax: 202-785-1974
E-mail: jcalore@hanleywood.com

ALEC DANN | General Manager Online/Residential New Construction
Phone: 202-729-3576 Fax: 202-785-1974
E-mail: adann@hanleywood.com

PAUL TOURBAF | Vice President Sales and Development/ Residential New Construction
Phone: 202-729-3629 Fax: 202-785-1974
E-mail: ptourbaf@hanleywood.com

JOANNA MOTT | Group Publishing Support Manager
Phone: 773-824-2459 Fax: 202-785-1974
E-mail: jmott@hanleywood.com

CHICAGO
TIM AHLERING, MARK CULLUM, PATTY MORIN
8725 W. Higgins Rd., Suite 600
Chicago, IL 60631
Phone: 773-824-2400 Fax: 773-824-2401

NEW YORK
PAUL PETTERSEN
65 Walnut Ave.
Rockville Centre, NY 11570
Phone: 516-536-9154 Fax: 516-608-9155

ATLANTA
CLARE STEFAN
2090 Dunwoody Club Dr., Suite 106-263
Atlanta, GA 30350
Phone: 770-399-9062 Fax: 770-399-9073

DALLAS
PATTY MORIN
8725 W. Higgins Rd., Suite 600
Chicago, IL 60631
Phone: 773-824-2427 Fax: 773-824-2540

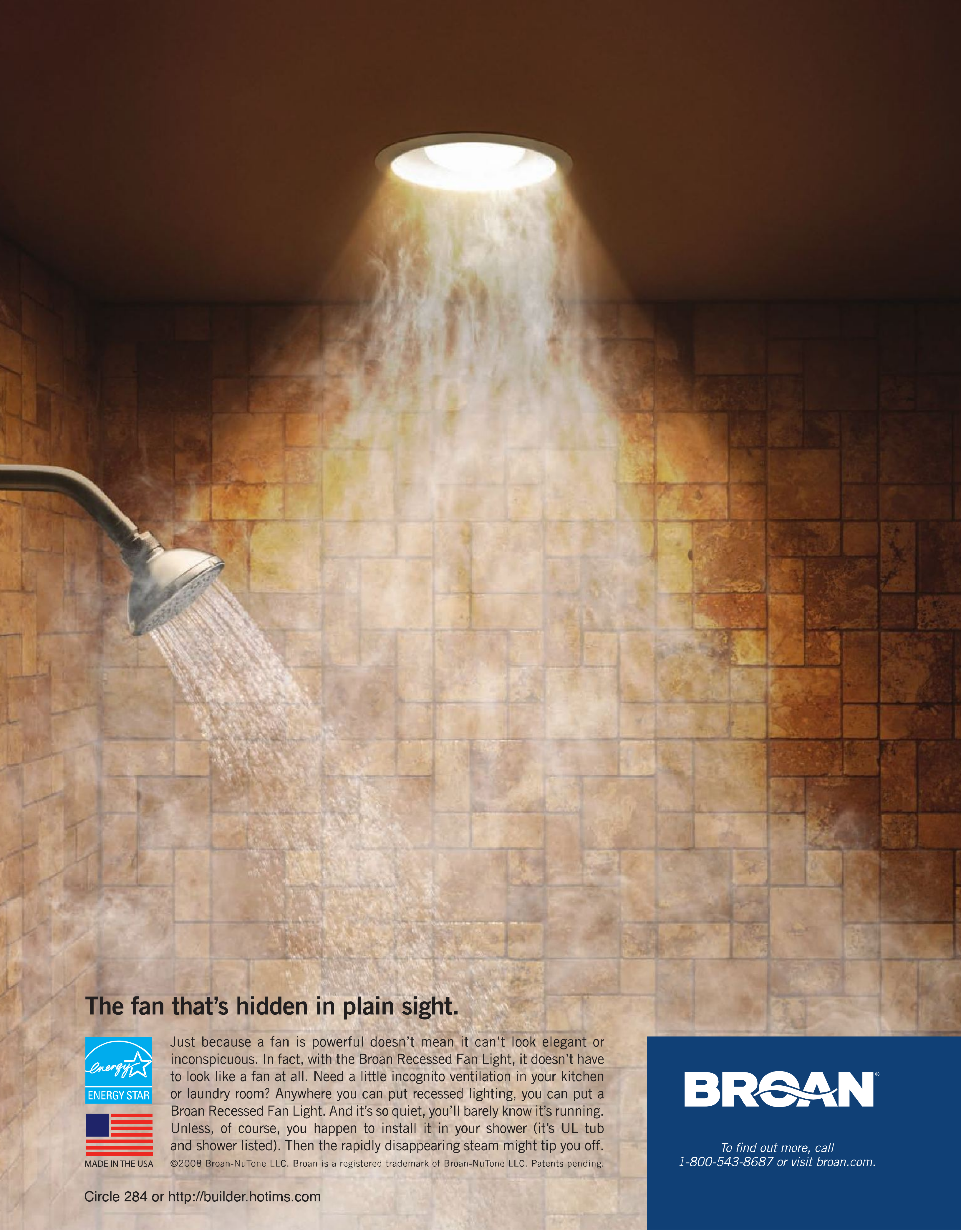
SAN FRANCISCO
MARK SIMPSON
530 Main St.
Woodland, CA 95695
Phone: 530-661-3567 Fax: 530-669-3021

CANADA
D. JOHN MAGNER
York Media Services
500 Queens Quay West, Suite 101W
Toronto, Ontario, Canada M5V 3K8
Phone: 416-598-0101 Fax: 416-598-9191

ONLINE
EDWIN KRAFT
e-Media Sales Manager
5908 Northern Ct.
Elkridge, MD 21075
Phone: 443-445-3488 Fax: 202-785-1974
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All Eyes on Housing

The economy isn't likely to recover until strength returns to the housing market.

IT SEEMS AS THOUGH THE WHOLE COUNTRY HAS ITS EYES GLUED on the housing industry in the hope that this mighty economic engine can perform its usual duty of pulling the economy out of the doldrums. This is the role that the housing industry traditionally plays.

Back in the day, mortgage rates would rise, choke off financing, shut down home building, and send the economy into a tailspin. Then, once the economy slowed and rates fell, builders would bring in the earth-moving equipment, raise some walls, and lift the entire economy out of despair.

If only it were so easy this time around. In order for builders to do their job, several important things need to happen that seem beyond the control of federal policy makers, much less home builders. The most important is that house prices need to stop falling. Until that happens, it's hard to imagine demand for housing increasing. And mortgage lenders are likely to remain reluctant to lend.

Existing-home prices have already tumbled 20 percent, and economists predict another 10 percent decline as more foreclosures work their way through the system. Banks are on a pace to foreclose on more than 1 million homes this year alone, according to foreclosures.com. Plus, one in six homeowners now owe more on their mortgage than their house is worth. Their ranks will grow as home values decline, leading to even more foreclosures. Surveys by the Mortgage Brokers Association of America indicate that roughly 3 million mortgages are delinquent (at least one payment is past due) and at risk of foreclosure.

Foreclosure sales, which account for 25 percent to 40 percent of total housing sales in many markets, are exerting tremendous downward pressure on new-home prices. They often sell for 20 percent less than comparable new homes, and they are driving down new-home appraisals.

WILL GOVERNMENT EFFORTS WORK?

So far, government efforts to stem the rising tide of foreclosures haven't had much impact on the market; though, to be fair, they are just being rolled out. HUD recently initiated the foreclosure assistance program contained in this summer's housing rescue bill designed to provide relief for up to 400,000 households.

The program is targeted at homeowners who have monthly payments exceeding 31 percent of their income. Banks would write down mortgages to 90 percent of a home's current value, and a new 30-year fixed-rate loan would be insured by the FHA.

The financial system rescue bill signed into law last month expands on this program, but it's not clear how many more households will receive assistance. The bill instructs the Treasury, when it buys troubled mortgage assets, to direct mortgage servicing companies to renegotiate the loans along the lines of the HUD program.



KATHERINE LAMBERT

Even if the government were able to slow foreclosures, builders need access to credit to build. Right now, with the credit markets shut down and builders throughout the country out or nearly out of cash, there isn't much money to finance operations. The industry has been brutally compromised by the downturn, especially when you add in what's going on right now over AD&C loans.

THE BOTTOM LINE

The government's attempt this summer to stimulate demand by creating a new $7,500 tax credit for first-time homeowners didn't work. In fact, the housing rescue package may have done more harm than good, from a strictly economic perspective, by eliminating the seller-provided down-payment assistance that many builders used as a crutch to make sales.

The bottom line is that unless the federal government can somehow stop home prices from declining and stem the foreclosure tide, there's little hope that home builders can get in gear and do their national duty. And unless that happens, it's unlikely that the economy as a whole can be stopped from sliding deeper into recession.



BOYCE THOMPSON
Editorial Director
e-mail: bthompson@hanleywood.com

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Stop the Fall

WITH SOME OF THE NEW BILLS PASSED by the government regarding the housing and financial crises, I have a few concerns. Are there any measures being planned to help stop the fall in home value/prices? Do they have in place some type of measure for the appraiser to not use homes that have been in a foreclosed/distressed sale as a comparable? It seems to me that if the government gave some guidance to assist appraisers, it would help in getting a floor established on values. Also, if the government is renegotiating the mortgage for homeowners, the government should not change the original price on the homes or have limits on price/principal. My idea would be to leave original prices and extend the time frame for repayment to get monthly payments into a more affordable payment. If the government reduces the values without considering the repercussions, the cycle for new people to get in the market to purchase new homes will be drastically affected.



BARRY BRYANT
President
Bryant Building Co.
St. Cloud, Fla.
Posted on BuilderOnline.com

The Greener Good

IN LIGHT OF [BOYCE THOMPSON'S] EDITOrial ["Green Building: Changing Buyer Behavior," www.builderonline.com/blogs/BloggerFirstPage.aspx], I wanted to pass along some information about our company. As a top 200 builder in the country, we have made the commitment to go green not because of a municipal standard or other outside pressures, but because it is the right thing today.

Our green building program comes after months of research to determine the best value for the consumers while doing the right thing for the environment.

STEVE BERTASSO
Purchasing Manager
The Jones Co. of Tennessee
Franklin, Tenn.
Via e-mail

Callback

IN OUR STORY "STILL ON THEIR RAILS" [September, page 100], we misstated the rents that Sares-Regis is charging at two projects: At Westgate Apartments in Pasadena, Calif., the rent is $2.66 per square foot; at The Crossings in Anaheim, Calif., the rent is $2.75 per square foot.

We regret the error.

DO YOU HAVE A COMMENT OR QUESTION?

E-MAIL DENISE DERSIN AT:
ddersin@hanleywood.com







Calendar

NOVEMBER

11–22
RIA Fall Conference, Baltimore
The Restoration Industry Association's annual Fall Conference will offer all the educational opportunities you're looking for including a refresher course on mold, a one-day environmental conference, a two-day restoration conference, and one-day courses on drying out concrete and hardwood and the ideal system for restoration companies. Contact: www.RestorationIndustry.org.

12–15
JLC LIVE Pacific Northwest, Seattle
The leader in hands-on construction education, JLC LIVE provides the perfect showcase for the residential construction market. Delivering the most relevant information, education, and training in the industry, it features many new topics, speakers, and demonstrations all designed to provide owners, managers, and key personnel with information to increase productivity and profitability. Contact: www.JLCLIVE.com.

15–20
International Pool/Spa/Patio Expo, Las Vegas
The International Pool and Spa Expo, Backyard Living Expo, and AQUA Show have been combined into one mega event. This event leverages the strengths of all three shows, creating unique opportunities for networking and interaction. This year, 1,000 exhibiting companies will fill 3,000 booths. Attendees include pool and spa builders and installers, retailers, service technicians, landscape architects and designers, custom home builders, and design center professionals. The accredited conference program features 75 seminars. Contact: www.PoolSpaPatio.com.

16–18
Building Systems Councils SHOWCASE, Memphis, Tenn.
SHOWCASE '08 will focus on ways to advance and promote building systems—especially in today's housing market. You'll network with leaders from all facets of the industry, connect with suppliers, and learn how to tap into the newest systems-built trends at this annual crossroads. You'll get practical ideas and fresh inspiration from noted national speakers and from the hundreds of industry insiders who attend. And you'll return home with strategies you can apply immediately to improve your business and bottom line. Contact: www.nahb.org.

20–22
State and Local Government Affairs Conference, Memphis, Tenn.
Stay informed about legislative and regulatory issues that *(see page 25)*

concern you and your business. Designed specifically for government affairs staff of local and state builders' associations, this event will feature breakout sessions, guest speakers, and roundtable discussions covering important state and local housing issues as well as how to enhance your association's lobbying efforts. Contact: www.nahb.org.

DECEMBER

8–10

Reinvention Conference, Austin, Texas

Reinvention is the only national symposium bringing together the leading thinkers of American architecture to share their visions of how we will live tomorrow. This conference is tailored to meet the needs of today's residential architects, landscape architects, building industry leaders, and thought leaders from the housing community. Attendees will earn 15.25 continuing education credits from AIA. AIA/CES Health, Safety, and Welfare registered seminars are available. Contact: www.ReinventionConf.com.

JANUARY 2009

12–15

Leadership Institute, Orlando, Fla.

The Leadership Institute is devoted to helping industry professionals prepare to be leaders now and in the future. This four-day program fosters professional growth in participants through a variety of hands-on experiences. Attendees will learn how to give and receive feedback on leadership styles, discover what makes leaders effective, identify patterns that may limit their effectiveness as leaders, and leave with specific, detailed action plans. Contact: www.fminet.com.

20–23

International Builders' Show, Las Vegas

With four exciting days full of ideas and products to help grow your business, this is the single most important building industry event that you will attend. This year's IBS will have everything you need: exhibitors showcasing their latest products and services; education sessions and programs designed to help you stay current on industry trends and issues; and plenty of opportunities to network and have fun. With thousands of attendees and exhibitors, IBS is the best place to get the tools you need in this challenging market. Contact: www.BuildersShow.com.

27–29

Atlantic City Pool and Spa Show, Atlantic City, N.J.

With Americans still savoring the accomplishments of Olympic swimmer Michael Phelps, families opting for close-to-home summer stay-cations, and a host of new codes and regulations that will require new or replacement pool equipment, a perfect storm of opportunity is brewing for pool and spa industry professionals. Catering to both the private and commercial pool industries, this event will include more than 70 educational sessions focused on helping pool and spa professionals hone their business sense, skills, knowledge, and competitive edge. Contact: www.neSpaPool.org.

FEBRUARY

2–5

Surfaces, Las Vegas

The premier event for the world's floor-covering professionals, Surfaces provides an international marketplace for these products and gives more than 40,000 attendees from around the world an opportunity to connect with major manufacturers in every major product category. With 1,000 exhibitors filling more than 500,000 net square feet with the latest floor coverings, you're sure to find the products your project needs and your customers crave. And the comprehensive, expert-led educational program and on-floor how-to training sessions will equip you with the information you're looking for. Contact: www.Surfaces.com.

2–6

World of Concrete, Las Vegas

As the leading marketplace for the $84 billion concrete industry, World of Concrete is where commerce and construction converge. In addition to a renowned seminar program, the event features the largest array of concrete and masonry construction products and equipment in the industry including 1,700 exhibiting companies in 800,000 net square feet of indoor and outdoor exhibit space. This mega-event also features the *(see page 26)*

Producer Center, which focuses on the ready mix, precast, prestressed, and concrete pipe markets. Contact: www.WorldofConcrete.com.

3–5

International Roofing Expo, Las Vegas

The International Roofing Expo is the must-attend event for commercial and residential roofing professionals to stay abreast of market directions, trends, and cutting-edge technology, as well as participate in educational events focusing on the latest issues. Attendees include 9,000 roofing contractors, builders, remodelers, building owners, facility managers, consultants, architects, and designers from around the world. The comprehensive educational program features 45 sessions addressing a multitude of roofing industry issues covering technical, business, and workplace safety topics with most sessions offering continuing education hours. Contact: www.TheRoofingExpo.com.

23

Trends in +50s Housing, New York

This event offers attendees detailed analysis of the 100 sub-trends in over-50s independent housing as well as the sub-trends in semi-dependent housing and the future of nursing homes. Topics discussed will also include socioeconomic trends, social impacts, financing techniques, and an overview of best practices among developers, funders, managers, and operators as well as a review of design, architecture, construction, and business models. Contact: www.SeniorsHousing.us.

MARCH

10–12

BuildingEnergy09, Boston

BuildingEnergy09 features in-depth workshops and sessions by more than 150 experts on a wide range of topics such as climate change in the U.S. and abroad, carbon stabilization, high-performance buildings, adaptive re-use, large scale renewables, daylighting, wind power, green design, integrated water systems, solar applications, financing green projects, human health issues, and much more. Hundreds of the latest green products are featured in the largest green building products and services show in the Northeast. Contact: www.BuildingEnergy.nesea.org.

APRIL

14–17

Marketing and Selling Strategies for 2009, Chicago

Created specifically for senior leaders responsible for finding customers, this hands-on session gives you the tools necessary to create winning go-to-market strategies that will penetrate and capture the market. This course will equip you with the skills, strategies, and tactics to succeed in the challenging 2009 construction markets. Contact: www.fminet.com.

22–24
Atlantic Builders Convention, Atlantic City, N.J.

The ABC is the largest building industry trade show in the Northeast, drawing more than 12,000 participants from a six-state region, including residential and commercial builders, developers, subcontractors, and consultants. The three-day event features 800 exhibits showcasing the latest products and services, as well as educational seminars offering information about the latest market trends, government policies, and technical developments. Contact: www.ABConvention.com.

MAY
14–16
Remodeling Leadership Conference, Alexandria, Va.

The Remodeling Leadership Conference is the premier conference event in the home-improvement industry. Top pros gather with manufacturers and suppliers in this high-level management conference designed to help remodelers grow their businesses. You'll learn strategies to build a company for the long haul without sacrificing your life or your dreams. Learning-intensive sessions will give you tips on how to boost your company from good to great. Contact: www.RemodelingConf.com.

JUNE
16–19
Construct2009, Indianapolis

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To Submit:

Letter to the editor:
Boyce Thompson, editorial director
bthompson@hanleywood.com

Denise Dersin, editor in chief
ddersin@hanleywood.com

Best-selling community news:
Jenny Sullivan
jsullivan@hanleywood.com

Business news:
Ethan Butterfield
ebutterfield@hanleywood.com

Conference & event announcements:
Claire Koltko
ckoltko@hanleywood.com

Construction news:
Denise Dersin
ddersin@hanleywood.com

Green building and product news:
Denise Dersin
ddersin@hanleywood.com

New product news:
Nigel F. Maynard
nmaynard@hanleywood.com

New projects news:
Jenny Sullivan
jsullivan@hanleywood.com

Sales and marketing news:
Pat Curry
pcurry@hanleywood.com

News and information for the Web site:
Denise Dersin
ddersin@hanleywood.com

For contributor's guidelines:
Sola Ayeni-Biu 202-729-3506

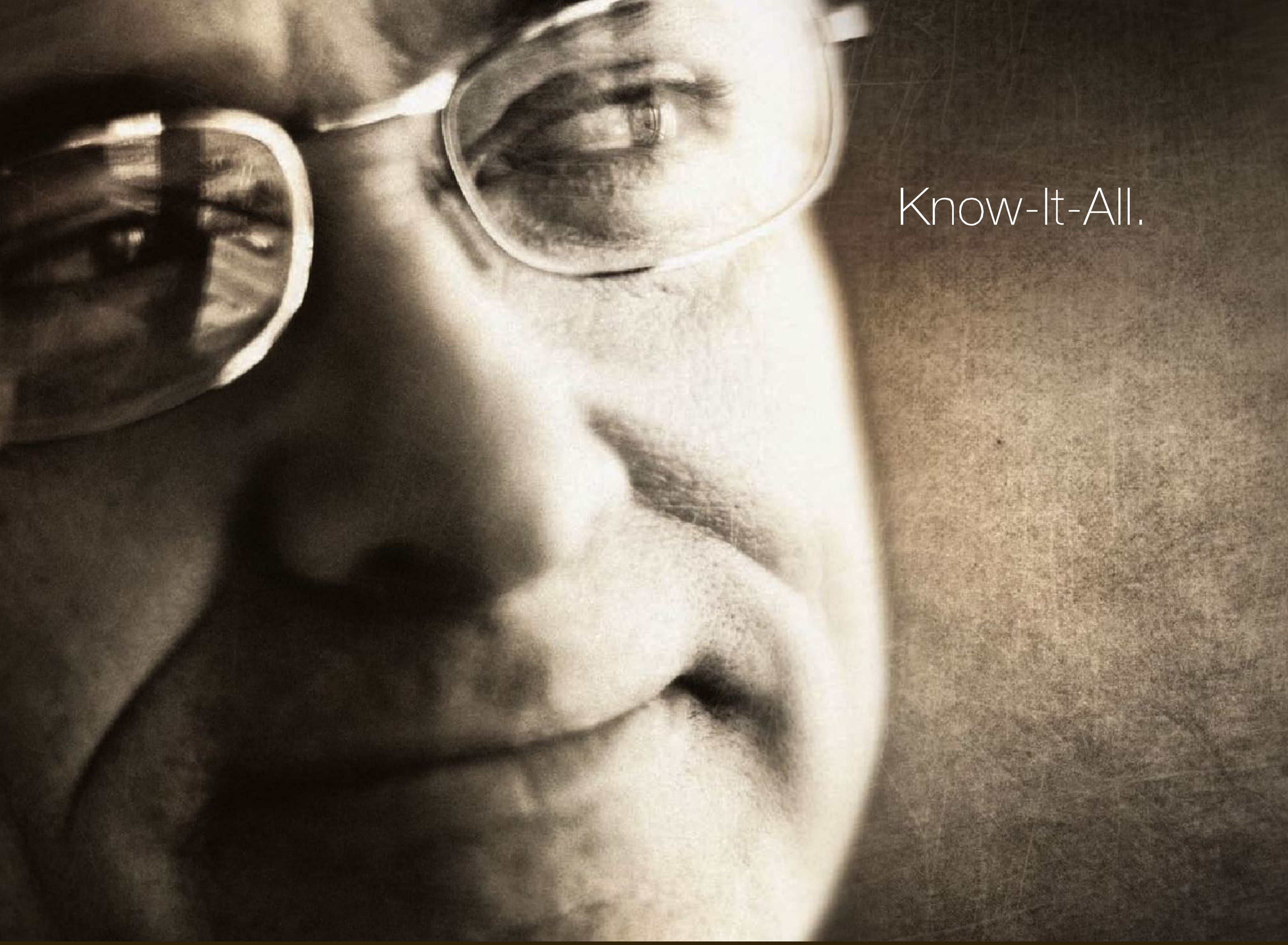
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Sola Ayeni-Biu 202-729-3506

For a media kit:
Janet Allen
jallen@hanleywood.com

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INSIDE STORY

Inside:

COMMENTARY AND ANALYSIS OF CURRENT EVENTS ■ EDITED BY JOHN CAULFIELD



DAVE CLARK

REDUCING EXISTING INVENTORIES

Dragging Their Feet

Banks take their time reselling foreclosures, modifying mortgages, and approving short sales.

Aziz Hafid, an engineer with Siemens in Northern Virginia, had been trying since January to purchase one of several foreclosed homes he's signed contracts for. More than once, he's gotten the runaround, he says, from agents representing banks that own those real-estate owned (REO) properties or from the banks themselves: unanswered phone calls, glacial responses to letters and other documents, and a bewildering lack of urgency to close the deal. "They are playing games with us," says Hafid about the banks and their functionaries.

Hafid is one of many buyers, sellers, and brokers who find themselves caught in the sputtering machinery of foreclosure and short-sale transactions. They hope the federal government's intervention into the credit markets can help grease the bureaucratic wheels. If it doesn't, builders could face competition from millions of unsold and foreclosed existing homes for much longer than they expected to.

One would think that the last thing a bank would want would be to hinder a foreclosure resale. The FDIC estimates that foreclosure-related costs equal at least 40 percent of a property's value. Banks' carrying costs on REOs run 1 percent to 1.5 percent per month. And several cities, including Boston and San Jose, Calif., require mortgage servicers to maintain foreclosed homes until they are resold.

Yet, homeowners, brokers, and even builders say banks sometimes seem to be doing everything in their power to forestall the sale of submerged property. "Our clients are encountering roadblocks *(see page 32)*

and, in some cases, barricades," says Ronald Phipps, a broker with Phipps Realty in Warwick, R.I., who testified before Congress in September about foreclosure mitigation. Phipps came away from that hearing with the impression that lenders "would rather have a non-revenue–providing asset on their books than a charge-off."

Phipps' comments wouldn't surprise homeowners who have tried to avoid foreclosure through loan modifications only to meet with resistance from lenders. Mortgage servicers' willingness to modify loans in general has been "erratic," according to Alan White, an assistant law professor at Valparaiso University in Valparaiso, Ind. He told lawmakers at the hearing that of the 105,000 mortgages he had examined, 4,300 were modified between July 2007 and July 2008. "Some [servicers] modified 50 percent of their loans; others, zero," he tells BUILDER.

Theories abound—and not all of them benign—about banks' apparent reluctance to modify or resell certain mortgages. One plausible explanation, though, is that the volume of bad loans has swamped the banking system. "The model for subprime lending was based on delinquencies not getting higher than 5 percent, but some pools are 50 percent delinquent," notes White. The FDIC estimates 4.5 percent of all mortgages and 27 percent of all subprime adjustable-rate loans were "seriously delinquent" as of June. Phipps says that 24 percent of Rhode Island's single-family homes were REOs in August.

"Our clients are encountering roadblocks and, in some cases, barricades."—Ronald Phipps, broker, Phipps Realty

It hasn't helped that lenders have reduced their staffs dramatically, so finding someone knowledgeable to talk to is a challenge. "I used to deal with a good kid at Deutsche Bank, which is notoriously difficult to work with, but he got fired," says Dan Mulligan, a partner with the San Francisco law firm Jenkins, Mulligan, and Gabriel, which specializes in consumer litigation against banks.

The securitization of home mortgages has clogged the resale process too. As mortgages were sliced, diced, and repackaged for sale to investors, the paper trail for the promissory notes on those loans often got lost in the shuffle. Retrieving those notes can be arduous, says Melissa Huelsman, a Seattle-based attorney. One of her clients spent nearly a year in lawsuits to extricate herself from two mortgages and exorbitant fees, during which one servicer "didn't even know who the owner of the loan was," recalls Huelsman.

Lenders' rigidity seems to be playing a role in all of this. White observes that banks have consistently refused to reduce the principal of loans he's looked at. Other sources point to the inexperience of banks' appraisers, who are assessing houses for well above their current market values. "The fact that all banks under our coverage have unrealistic HPA [house price appreciation] assumptions will, in our opinion, lead to a material and protracted writedown and capital pressure scenario for banks well into 2009," writes Meredith Whitney, executive director of equity research for Oppenheimer. Banks are doing all *(see page 34)*

A T T R A C T I N G   B U Y E R S

Price Paradox

One builder finds fewer takers for affordable homes.

FERNANDO PAGÉS HAS BEEN BUILDING homes for 30 years, and this current housing downturn is the first he can recall that has dampened demand for affordable housing. "I've got $120,000 homes that are just sitting there, and others that have $60,000 in down-payment assistance available," says Pagés, president of Brighton Construction in Lincoln, Neb., which will build 40 homes this year but probably sell only half that number.

Tighter credit restrictions make it tougher for buyers to qualify for a loan, particularly lower-income buyers, who are Brighton's primary customers. In fact, the builder is attracting more buyers who are moving down from the $300,000 house they own to a $150,000 house "they can buy free and clear," says Pagés.

He's reluctant to predict when the downturn might subside, especially when one of his potential buyers in Sheridan, Wyo., was trying to sell his house in this market, which has a 36-month supply of homes in the same price range. But he anticipates greater demand for quality at an affordable price. "People will not buy something unless it's a great deal, so builders have to find new ways to build economically."



In Sheridan, he's developing a second version of Liberty Village, Brighton's affordable, green, infill community in Lincoln with 16 single-family homes and four townhouses, priced from $120,000 to $135,000. Its two customizable models target Lincoln's immigrant populations, including Vietnamese and Sudanese owners whose use of living spaces varies markedly from Westerners'. For example, Muslims observe a strict separation between areas for bathing and waste disposal, so one of Brighton's house plans includes a room with a shower, sink, and bidet but no toilet.—*J.C.*

they can, and then some, to minimize their losses. *The New York Times* reported that JP Morgan Chase wants short sellers to sign a note for the full balance due with interest. That news article focused on one California couple trying to short sell their $300,000 house for $220,000. CitiMortgage would approve the sale only if the owners paid $166 per month for the next 20 years. By the time the owners made a counteroffer to the bank, their buyer had backed out.

Phipps recounts a similar situation where his clients put their home, which they bought for $223,000, up for sale for $200,000. They received a $183,000 offer that was in limbo for six months, he says, until the bank's "out-of-town appraiser" insisted the house was worth between $200,000 and $210,000 and rejected the offer. "The house next door resold for $193,000, which told me the offer was legitimate," says Phipps. In another client's case, it took an appraiser 90 days to say no to a $280,000 cash offer the client received for his $300,000 house, which ultimately went into foreclosure and sold at auction for $259,000.

These anecdotes would ring true to Hafid, who got married in July 2007 and wanted to move out of his two-bedroom condo in Alexandria, Va., into a three-bedroom townhouse with a basement. One foreclosed home he looked at last January is owned by Countrywide and listed for $245,000. His broker approached the bank's agent, who said he had six other offers and jacked up the price to $320,000. But in July, Hafid noticed the same home had come back onto the market for $245,000. He signed a contract to buy another Countrywide-owned home listed at $235,000. "Then, we didn't hear from the agent again for months." Hafid's broker called the bank directly, "but they never called back." Later, the agent said Countrywide wanted $270,000. "So we said, 'Put that in writing,' so we had a concrete number to deal with." Hafid's counteroffer was $260,000, but as of September he couldn't say whether the house was even on the market.

Hafid was still looking in late September to buy a home from a bank or a short seller, but the search left him flummoxed. "I'm very surprised that banks, which are sitting on thousands of properties, wouldn't want to move them as quickly as possible."—*J.C.*

RECONSTRUCTION PROJECTS

Completing the Job

A Web site in Florida markets unfinished structures.

An estimated one-fifth of the foreclosed homes in Florida aren't completed. That's a market the Naples, Fla.–based startup UnfinishedConstruction.com has been targeting since it launched in August. And the company's principals plan to expand its services to markets in Texas and the Northeast.

UnfinishedConstruction.com is an online networking and marketing service for owners with partly completed properties who are looking for a builder, broker, buyer, or backer. The site shows residential and commercial properties, as well as nontraditional stuff such as tree farms and churches. Through late September, the Web site listed about 50 properties.

John Rebimbas, the company's CEO, has a sales and marketing background in the resort industry. He says he got the idea for UnfinishedConstruction.com by listening to bankers wonder what they were going to do with all of the homes they've foreclosed on. His partner Larry Baille runs a real estate firm, and as the company expands, it plans to establish broker relationships in each market it serves. (A third, silent partner has IT expertise, says Rebimbas.) Neither partner was specific about where their financing came from, except to say that UnfinishedConstruction.com makes its money from ads and links posted on its site for banks, direct-mail services, title companies, contractors, and the like. As the company grows, its advertising will be market-specific.—*J.C.*

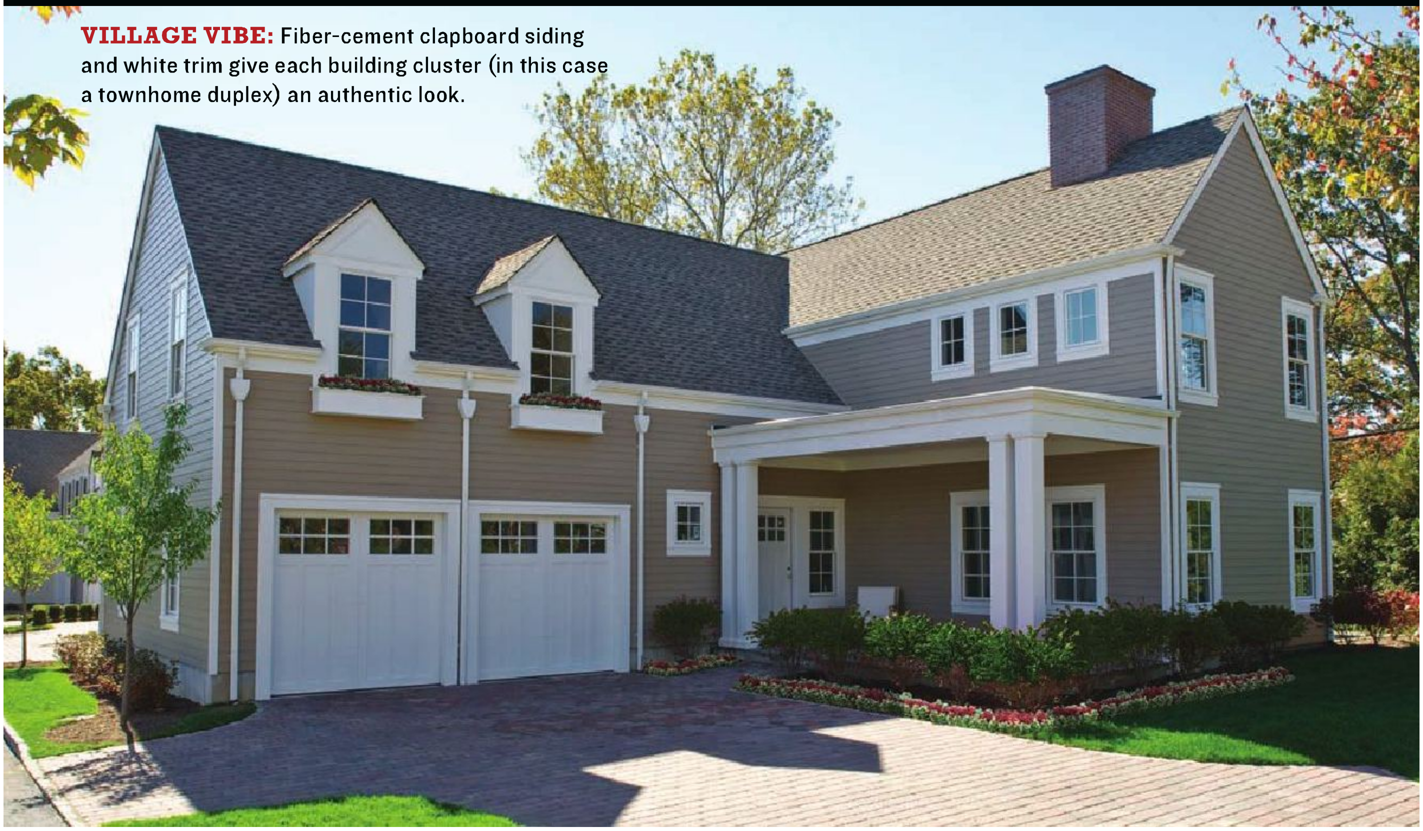


DRY DOCKED: Among the properties on UnfinishedConstruction.com's site is the shell of a 30-unit condo project in Florida with inlet access to the Gulf of Mexico.

GOT AN INSIDE STORY?

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VILLAGE VIBE: Fiber-cement clapboard siding and white trim give each building cluster (in this case a townhome duplex) an authentic look.

EVAN JOSEPH

ATTACHED LUXURY

Houses on the Hill

Attached homes outside of Manhattan have a New England state of mind.

IT'S HARD TO IMAGINE THERE COULD BE any sort of unfilled housing niche in the overbuilt landscape surrounding New York City, but builder Bill McGuinness seems to have found one. Palmer Hill, a verdant community planted in the space between Stamford, Conn., and upper-crust Greenwich, Conn., is offering a lifestyle option that, until recently, was tough to come by in the area: luxury in a medium-density setting.

"With attached housing, what you typically find around here is very vertical, Trump Tower–type new construction. Or, if it's garden-oriented, it's a small infill project with fewer than a dozen units and no amenities," says McGuinness, principal of the Pawling, N.Y.–based design/build firm Sun Homes.

Palmer Hill cherry-picks the best of both product types. Located just 35 miles from midtown Manhattan—a door-to-door commute to Grand Central Station is less than an hour—the property offers all the classy amenities you'd find in a luxury high-rise (party rooms, pool, hot tub, fitness center, yoga/dance studio, business center, etc.) but in a quaint, village-like setting that feels more like Martha's Vineyard than an extension of the Big Apple.

Crisp clapboard townhomes and shingle-style condos maintain a low profile and are anchored by a clubhouse in the same style. The 20-acre site plan preserves large chunks of green space and accents them beautifully with natural stone walls. Rather than leveling the topography, Sun Homes allowed each cluster of *(see page 38)*

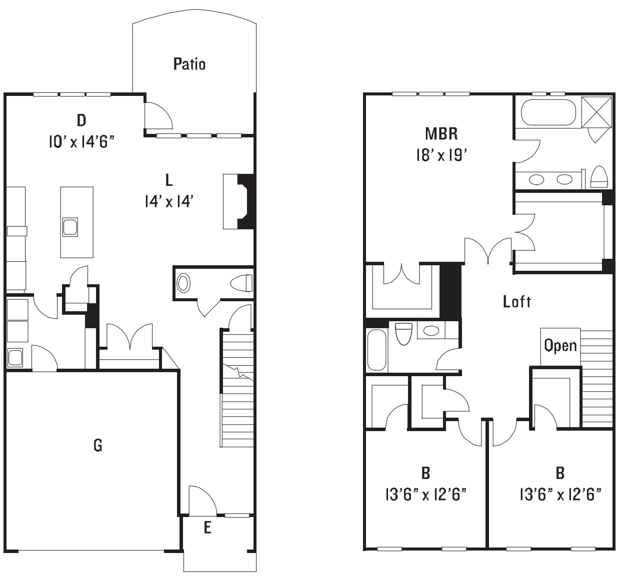
LOCATION: STAMFORD, CONN.

- **Community:** Palmer Hill
- **Total acreage:** 20
- **Date opened for presales:** September 2007
- **Product:** Townhomes and condos ranging from 2,300 square feet to 4,000 square feet
- **Price range:** $886,000 to $1.25 million
- **Total number of units at build-out:** 195 (20 income-qualified affordable)
- **Sales to date:** 45
- **Builder/Designer:** Sun Homes, Pawling, N.Y.
- **Developer:** Buckingham Partners, Haddonfield, N.J.
- **Interior designer:** Lynn Morgan Design, Rowayton, Conn.





SEE THE LIGHT: Attached homes are often dark on the inside. Not these, thanks to plenty of recessed lighting and large windows.



GOOD AND PLENTY: The 2,333-square-foot Avon plan offers an island kitchen, a large stone patio, high ceilings, and extra bedrooms that can double as hobby or workout spaces.

attached houses to step down a hill and follow the natural grade. "As a result, we show a lot less foundation wall and the rooflines have a nice rhythm," McGuinness says. "We were trying to avoid all the little telltale signs that these are production homes."

Other design differentiators include driveways inlaid with red brick pavers (in lieu of broom-finished concrete or asphalt), bluestone patios, solid-wood front entry and interior doors, built-in fireplace mantels with custom millwork, commercial-grade appliances, and hardwood floors. Carriage-style garage doors are natural wood with hammered iron strap hinges.

"It's the stuff at eye level that people notice," McGuinness says. Most buyers have not only embraced that value proposition, but also splurged above and beyond the standard package with even higher-end cabinetry, finishes, fixtures, and electronics. "Despite what may be going on in the market, people are still willing to spend more to get more. They're concerned about the real estate market, but they are not shy about spending on the amenities they want in their own homes," he says.

So far, sales have split evenly between empty-nesters and urban professionals without kids. Large end-unit townhomes featuring master-down floor plans have won big with downsizing boomers, while younger commuters have snapped up the interior units as an affordable alternative to living in the city (with a heck of a lot more pantry and storage space, thank you). Twenty units are set aside as affordable homes for families making 50 percent or less of the area median income.

What buyers don't see on the surface is that the homes are built using panelized construction—a strategic move that McGuinness says reduces jobsite waste while allowing greater flexibility in the cycle time. "We did a price comparison of stick frame versus panelization and went with the latter," he says. "It's better from a green standpoint, and it will allow us to pick up the pace if sales start to go faster. We're optimistic."—*J.S.*

TURF WAR

There's always a hang-up, but in Palmer Hill's case it wasn't the permitting process. The project was approved in less than two years but then litigated for five years when the town of Greenwich sued the city of Stamford for approving it. Greenwich officials feared that a higher-density project next door would compromise the character of their old-growth neighborhoods. Those fears proved unfounded.

GOT A SUCCESS STORY?

E-MAIL JENNY SULLIVAN AT:
jsullivan@hanleywood.com

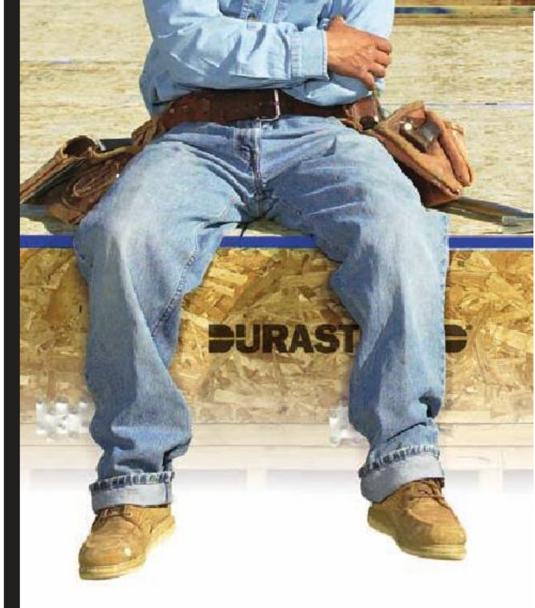
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TOPSHELF

THE LATEST AND GREATEST BUILDING PRODUCTS ■ EDITED BY NIGEL F. MAYNARD



Asia Major

European minimalism mixes nicely with Asian styling in the Equility bath furniture line. The modular vanity console can be mounted on the wall or combined with a base for a standing installation. Measuring 24 inches wide, the unit features oak veneer in a gray finish and a fold-down front panel that hides storage space. ■ **Cost: $995 to $2,995. Porcher. 866-455-6118. www.porcher-us.com. Circle no. 100.**



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With the growing popularity of home theaters, traditional doors don't provide enough sound insulation. QuietHome soundproof doors do. Ranging in thickness from 1 3/4 inches to 3 inches, the acoustic doors offer sound transmission ratings up to 51 and reduce noise by 70 percent to 85 percent compared with solid-core doors. ■ **Cost: $1,495 to $2,495. Serious Materials. 800-797-8159. www.seriousmaterials.com. Circle no. 101.**

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(see page 42)

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LiquiDAM limits the transmission of moisture from concrete to the finished floor. Applied to the substrate, the two-part epoxy prevents moisture vapor from damaging flooring. The product is free of VOCs and solvents and can be applied with a trowel or squeegee. ■ **Cost: $1 to $2 per square foot. TEC. 800-832-9002. www.tecspecialty.com. Circle no. 104.**





Disappearing Act

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System b1 is an alternative to the manufacturer's pricier offerings. Listed at 35 percent to 40 percent lower than the company's signature b3 product, b1 offers carefully considered design features such as central islands, full-height cabinets, and overhead shelves with optional sliding doors. Other options include lacquered doors, ash or walnut veneer drawers, and solid wood and stainless steel tops. ■ **Cost: $18,000 and up. Bulthaup. 800-808-2923. www.bulthaup.com. Circle no. 105.**





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GREEN HOUSE

SUSTAINABLE DESIGN, CONSTRUCTION, PRODUCTS & SALES ■ EDITED BY RICH BINSACCA



GREEN BY DESIGN: The BUILDER LivingHome show home is a modular structure that reduces construction waste and debris, and optimizes resources in its design, materials, and operation.

EFFICIENT FOOTPRINT

Living the Vision

BUILDER's newest show home, being built on the exhibit floor at IBS '09, combines affordable construction, quality design, and sustainability.

IN TIMES OF CONFLICT—SPECIFICALLY AMONG issues of rising costs, slow sales, affordability, and the need for green—there's rarely one solution. But standing two stories high in the back of the central hall of the Las Vegas Convention Center (booth C5288) at the International Builders' Show (IBS) this January, is one all-inclusive answer.

LivingHome, the 11th in a legacy of innovative show homes produced by BUILDER, provides a single source for the housing industry's current ills and its future. The contemporary 2,000-square-foot home consists of two pairs of stacked, steel-wood modules that will emerge near-complete from a Southern California factory next month after a 10-week production process (followed by a half week of on-site assembly) that not only produces a high-performance home faster but also with far less waste than traditional site building practices.

Its size, meanwhile, supports green building efforts: an efficient footprint that still stands up to modern lifestyle needs while enabling higher densities in compact development models that lessen environmental impact.

It's also flexible. In addition to a bonus room on the main level, the floor model at IBS will demonstrate panelized walls that can *(see page 46)*

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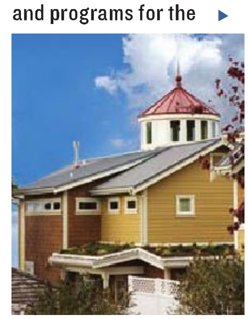
Inside:

Myth Buster

Michael Strong, who built Houston's first LEED pilot home, debunks consumer myths about green building, namely: that green-built homes have to be "funky" in their design (Strong notes how merchant builders now offer market-driven green homes); that green is more expensive (countered by their lower operating costs and good design); and that green homes are full of untested products (negated by the fact that most of the industry's major suppliers offer legitimate resource-efficient options and warranties for them). For more information, visit www.greenhausbuilders.com/myths.html.

Got Green?

The NAHB is calling for exceptional green projects, people, and programs for the ▸



2009 Green Building Awards. New and remodeled homes and entire developments started after June 2007 and substantially completed by December 2008 are eligible. Other categories include green advocates, marketing programs, local governments, and HBA-sponsored building programs. Submissions via e-mail or CD only (to save paper) are due by Jan. 31, 2009, with the awards presented at the 11th annual National Green Building Conference in Dallas next May. For more information and to download an entry form, go to www.nahb.org/greenbuildingawards.

Sorghum Solution

Never heard of sorghum? It's a cereal crop that grows rapidly and in arid climates. ChloroFill, a manufacturer of environmentally responsible building materials, is



PHOTO: COURTESY CHLOROFILL

manufacturing fiberboard made from sorghum stalks as an alternative to traditional construction panel products. The material's high cellulose content makes it lightweight, pliable, and strong enough for subflooring, door cores, and cabinet ▸

augment the footprint as family and lifestyle needs change—and perhaps once a buyer places the home on an actual lot after the show is over. "We describe this house in terms of what it delivers," says Jason Smith, a senior associate with KieranTimberlake, a Philadelphia-based design architect who has collaborated on several modular prototypes including the LivingHome with Santa Monica, Calif., builder LivingHomes. "It's [financially] accessible housing with high-quality design and a high level of sustainability."

The often-conflicting set of goals, says Smith, requires a delicate balance and hard-nosed dedication. "We didn't want to dumb it down or tart it up," he says, to push any one of those goals ahead of the others. Rather, the goal is to deliver a viable, comprehensive concept to the housing industry. "The ambition of these projects is to create a repeatable system with variances that make them intriguing and interesting."

The home's green value, though, doesn't stop at its design or structural systems. A full slate of sustainable products, materials, and finishes—most of them sponsored or donated by leading industry manufacturers—demonstrates not only the breadth of the market but also its mainstream marketability. Builder editorial director Boyce Thompson says, "Builders who are dead-serious about providing sustainable housing need even more information and options," which the LivingHome show home promises to deliver. Building industry professionals can tour it during the exhibit hours at IBS '09 and follow its progress at BuilderOnline.com and in the pages of Builder through the April 2009 issue.

During design and production, LivingHomes evaluated the sustainability (including embodied energy) of the home's structural components, and architect Amy Sims vetted the finishes to comply with the builder's commitment to sustainability—including a product's durability and affordability. "We want to show builders that green can be profitable for them," she says. "There can be a significant upcharge to build green, but there doesn't have to be."

"We wanted to show builders that green can be profitable for them."—Amy Sims, project architect, LivingHomes

The spec list of products and materials includes engineered lumber within the modules' structure; engineered decking; certified-wood siding and other wood finishes; a comprehensive moisture management system; high-performance windows, appliances, lighting, and HVAC equipment (including solar); and recycled-content and low-emitting finishes. "Everything has gone through some level of scrutiny to be selected and used," says Sims. The house also is designed and finished to exceed California's tough Title 24 standards for energy use.

Though LivingHomes will follow both the NAHB's green building guidelines and the LEED for Homes rating system checklist, the show home will not gain any green designations until it is moved to an actual building site, where it can be fully and independently evaluated, rated, and certified.

For more information including bios of the project team, photos and video of the home's production process, and a list of sponsors to date, go to http://builderlivinghome.com.—*R.B.*

CERTIFIED GREEN

The Pace of Progress

Participation in the National Green Building Program has far exceeded expectations.

The National Green Building Program, a multifaceted information, education, and home certification tool launched in February as part of the NAHB's big splash into the green arena at IBS 2008, is attracting builders and other industry professionals at an impressive pace.

NATIONAL GREEN BUILDING PROGRAM™

Through the first eight months of the program, more than 1,250 NAHB members and others earned the association's new Certified Green Professional (CGP) designation (www.nahb.org/cgpinfo). Concurrently, more than 2,500 projects were registered on the program's Web site (www.nahbgreen.org), indicating that they are in some stage of being scored against the association's green building rating system.

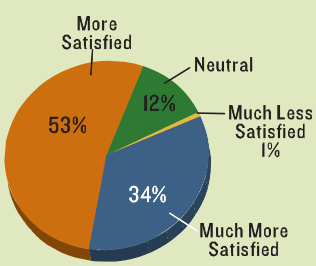
In addition, an average of 100 people a month take and pass the test to be accredited verifiers to inspect and certify homes against the rating system. The association also counts about 200 state and local chapters—up from 40 in 2007—that are offering some level of green building services to their members. "The interest and participation in the program and services has far exceeded our goals to date," says Emily English, the program's manager at the NAHB.

English and her staff, however, are not resting on their laurels. She anticipates another spike in interest once the National Green Building Standard (NGBS, derived from the NAHB's Model *(see page 48)*

boxes. ChloroFill uses formaldehyde- and VOC-free resin binder panels and, unlike particleboard, the panels don't need a laminated finish.

Keep 'Em Happy

The latest consumer research by McGraw-Hill Construction reports that 87 percent of green homeowners are more or much more satisfied with their green homes than with their previous, non-green homes (see chart below). Those with annual incomes of less than $50,000 had a 98 percent satisfaction level due to their home's



SOURCE: MCGRAW-HILL CONSTRUCTION

lower operating costs. The study, co-sponsored by USGBC, estimates that 330,000 market-rate, green-built homes have been produced since 2005. Look for the complete McGraw-Hill Construction SmartMarket Report at www.usgbc.org or www.construction.com.

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TO READ MORE STORIES ON GREEN BUILDING, GO TO WWW.BUILDERONLINE.COM/GREEN.

Green Building Guidelines) is approved by ANSI—a designation that will trigger a companion scoring and rating system to certify homes under that standard and enable multifamily, remodeling, and development projects to qualify. "It will be a completely different set of tools from the guidelines," she says, though similar in design and application. "The [NGBS] has higher thresholds in several categories and more options [compared to the guidelines]."

The program is also being refined to respond to emerging trends, namely builders and developers seeking to certify entire projects (versus individual homes) and address liability issues associated with promises—overt or otherwise—that tend to accompany high-performance homes. "Builders are asking for advice about how to articulate a home's performance without making promises that depend on the lifestyle of the occupants," says English.

The NAHB is also using the program's popularity, specifically the number of third-party certified homes (an estimated 115,000 nationwide) and the growth of HBA-sponsored and other voluntary green building programs, as political leverage against state and local green building mandates. "Mandates don't guarantee results," says English. "A voluntary program fosters more organic changes."—*R.B.*

BUILDING CODES

Left Coast Formula

Builders in the Golden State take a collaborative approach to new, more stringent building codes.

Perhaps the most noteworthy aspect of California's new mandatory green building codes is the complete support it received from the state's Building Industry Association (CBIA). After decades of playing (and usually losing) the opposition game over codes and other regulatory initiatives affecting the industry, the CBIA has changed its tactics to cooperation and consensus—and has still come away with safeguards for its builder members and housing affordability. "If we weren't part of the process, it would be shoved down our throats," says CBIA spokesman Mike Castillo, referring to the new code authored by the state's Department of Housing and Community Development. "I think it kind of freaked them out that we were willing to work with them," he says.

Performance and prescriptive standards will push new housing in the state to be 50 percent more energy efficient than current national standards (a 20 percent bump up from the state's existing code) and progressively address critical issues of water conservation and indoor air quality during the next three years. "It will be a smooth, easy transition with interim steps and programs that help builders comply," says Castillo. "Builders can ease into new technology and products [such as photovoltaics] while their costs come down over time."

The new code also creates a level playing field for green building standards across all local jurisdictions. To date, says Castillo, only about 40 California municipalities mandate any sort of green building standards, causing confusion and cost overruns among builders who cross borders. Local officials will now have to adopt the state's code as a minimum standard, with the ability to boost certain segments at their discretion.—*R.B.*



BETTER BUILT: Builders in California collaborated on the state's stringent green building codes to create a mutually beneficial result.

PHOTO: COURTESY ILEVEL

GOT GREEN PROJECTS, PRODUCTS, OR DESIGNS?

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Designed by KieranTimberlake and built by Profile Structures for LivingHomes, a developer of modern, sustainably designed, prefabricated homes, the **Builder LivingHome** celebrates BUILDER magazine's 30th anniversary. This 'hybrid' home will be the star of the 2009 IBS Show at Booth C5288.

Builder livinghomes KIERANTIMBERLAKE PS Profile Structures, Inc.

Tour the Builder LivingHome at the International Builders' Show Las Vegas, January 20–23, 2009 at Booth C5288.

Builder livinghome
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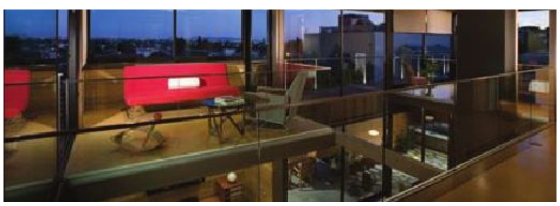
The 2009 Builder LivingHome is an inspired response to today's housing challenges.

Factory-built modules reduce construction time, cost and waste. A comprehensive environmental program and flexible space plan deliver high design and low ecological impact.

Builder LivingHome's environmental goals:

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BUSINESS UPDATE

Inside:

54 Spanish Edition
The NCCER begins to translate its training manuals and assessment exams into Spanish

PLUS MORE >>

FINANCIAL MANAGEMENT & OPERATIONAL STRATEGIES ■ EDITED BY ETHAN BUTTERFIELD



MATT WOOD

LEGAL ISSUES

Dangerous Incentives

An FBI investigation takes aim at builders.

Builders beware: The FBI is looking into 21 companies concerning mortgage and subprime issues, and rumors are swirling that the focus of the investigation is home buyer incentives offered by builders throughout the housing bust.

A *Wall Street Journal* story in August gave some details of the investigation and named Centex Corp. and Beazer Homes USA as two companies that used questionable incentives. Beazer declined to comment for this story.

While Centex would not say if it is under FBI investigation, the company acknowledges that between late 2005 and June 2006, its Las Vegas division agreed to pay off consumer debts on items such as credit cards, car loans, and mortgages after closing on about 50 homes ranging in price from $350,000 to $550,000. The practice, which was not always disclosed to lenders and was limited to Centex's Las Vegas operation, was discovered internally in June 2006 and was immediately discontinued.

"These incentives did not reflect our standard corporate practice," Centex spokesman Eric Bruner says. "Since that time in 2006, we have centralized and standardized many of our business practices, increased training, ensured compliance, and adopted a pricing model that greatly reduces our use of incentives to sell homes."

Centex has reached out to the investors who bought the loans in question, "and we've told them we will stand behind each loan," Bruner says.

Problems with incentives often begin when decisions about them are made in division offices without legal counsel, says attorney Samuel Alhadeff, a partner in the Temecula, Calif.–based firm Buchanan Ingersoll & Rooney, which represents several public builders, including Centex.

Bruner declined to say if the company did or does now check with its corporate lawyers or outside legal counsel when considering incentives, and he also declined to say if those responsible for the Las Vegas policies were disciplined. *(see page 54)*

A number of builders, it turns out, may not have been doing their legal due diligence in regard to incentives and have left the door open to government investigations as well as lawsuits from settlement agents, lenders, investors, and home buyers.

Of course, there is nothing inherently wrong or illegal about offering home buyers incentives to purchase a home—as long as the incentives are disclosed to all parties involved in the transaction and are noted on all relevant forms, be it the HUD-1 Settlement Statement or state government–mandated paperwork.

The incentives also cannot be tied to requirements to use affiliated services such as a mortgage broker. A builder can legally offer a cash incentive for using that broker but cannot require use of the broker for the consumer to buy the home. Brokers also cannot kick back money to the builder for referring services unless the builder owns a share of the broker. Referral fees are illegal under the Real Estate Settlement Procedures Act, which is overseen by HUD.

Builders can stray into trouble when incentives take place after closing or are not included in the sales contract or as an addendum. Another problem occurs when the parties involved know they are supposed to disclose incentives but intentionally hide them to artificially inflate sales prices.

"There are some people out there that are intentionally trying to do this," says Christopher Monahan, an attorney with Morgan Miller Blair in Walnut Creek, Calif. "But there's also a lack of knowledge. The biggest fear I have for my builder clients is that they might not know that they can't just offer an incentive to a buyer without actually complying with the [California Department of Real Estate] requirements."

Unfortunately, says Monahan, he and other real estate attorneys first hear from builder clients only after a violation has been identified. Penalties for violations can be severe. In California, authorities can shut down developments by pulling the permits necessary to sell homes, called "white reports."

"These are tough times, and it's understandable that sellers would want to discount their properties," says Phillip Schulman, partner in the Washington-based law firm K&L Gates. "But they need to be vigilant about making sure that the true transaction is disclosed to all parties—not just the title agent, not just the lender, not just the buyer, but everybody."—*E.B.*

JOB TRAINING

Found in Translation

A nonprofit offers skill certification for Spanish-speakers.

A LANGUAGE BARRIER EXISTS ON many jobsites, one that can leave managers and workers unsure and distrusting of the abilities of their on-site peers. In an industry that relies so heavily on subcontractors, the abilities of those subs become a major concern.

The National Center for Construction Education and Research (NCCER), which has developed job-specific training and assessment exams for a variety of construction skills and at a number of levels of proficiency within each skill, is stepping into the breach to assist Hispanic workers. The Gainesville, Fla.–based NCCER is translating some of its assessment exams as well as some entry-level training materials into Spanish.

"The assessments measure technical expertise," says Tania Domenech, NCCER project manager in charge of the translations. "A concrete finisher may be an excellent concrete finisher, but because the language is a barrier, they may have limitations as to how far they can advance in the industry."

Like their English-speaking counterparts, Spanish-speakers who complete NCCER exams will receive credentials from the NCCER National Registry.

The first wave of translated materials gives Spanish-speaking workers access to assessments for concrete finishing, industrial carpentry, industrial insulation, industrial pipe fitting, reinforcing iron and rebar, scaffold building, level one masonry, and rigging fundamentals.



The goal of the program is to test technical skills, not language, Domenech says. But there is a language component to the training materials.

Every translated training book contains a glossary of trade terms, translated from English to Spanish and from Spanish to English. Part of the goal of the training program, while not to teach English, is to provide a transition into the language, Domenech says.

"Along with the translation of the text itself, we also tell them what things mean," she says. "It's a safety hazard to have a lack of communication on the site."

Which assessment exams and training materials are translated is determined by demand from the NCCER's sponsors. The NCCER was formed in 1996 as a nonprofit organization to do skill assessments by several of the construction industry's leading manufacturers and contractors.

"The sponsors keep asking for more titles to be translated, but we have limitations on the workload we can handle," Domenech says.

The tests can be taken over the Internet or with paper and pencil. —*E.B.*

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SALES STRATEGIES

TIPS AND TACTICS FOR SALES SUCCESS ■ EDITED BY RICH BINSACCA

SALES FORCE

Managing Gen Y

The next generation of sales agents are motivated by a different set of standards and practices.

THEY ARE ABOUT 70 MILLION STRONG, DEPENDING ON THE birth years you count, and are unlike any generation before them in their social attitudes and power to drive consumer trends. No, they're not baby boomers, but rather the so-called echo boomers or Gen Yers that are now entering the workforce—including real estate sales—in force.

As boomers retire and Gen Xers take their top management spots, this mass of young workers filling in behind them requires a new set of management tactics. "They look at things and value different things in a different way," says Nicki Joy, a real estate sales guru based in Rockville, Md. "The common or typical incentives no longer resonate with them."

As if builders and real estate agencies didn't have enough challenges in the current housing sales slump, adjusting to a generation of associates that expect immediate rewards and recognition, seek responsibilities with minimal oversight, are naturally skeptical of authority, and want to be treated more like customers than employees might be asking too much. "It's difficult for previous generations to accommodate them," says Joy. "But you have to consider and incorporate their needs" if you want to cultivate the next generation of successful sales agents, she says.

Or to simply ensure a fully employed office in the years to come. Despite record employment rolls and trade association membership, the real estate industry remains dominated by older workers. The median age for Realtors is 51, according to the National Association of Realtors, and a 2007 Deloitte Research study indicated worker shortages in coming years.

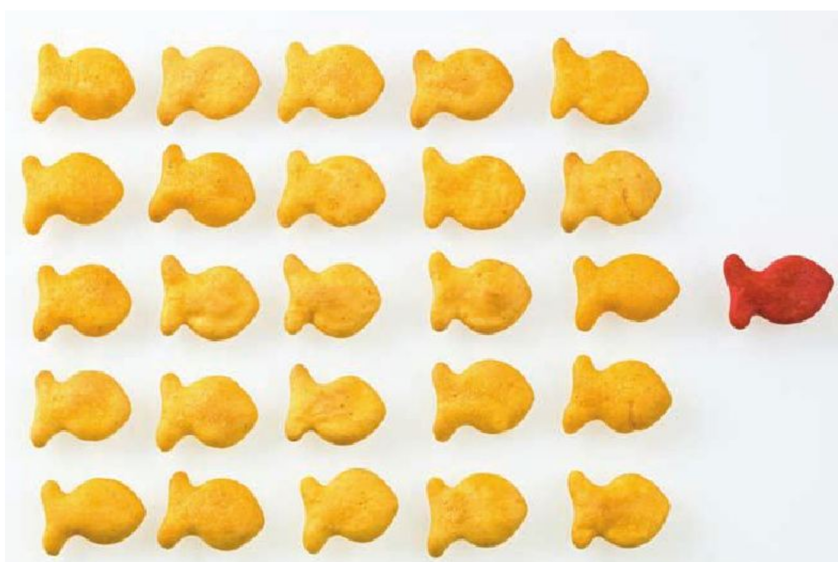
Enter Gen Y and its mature grasp of technology, 24/7 access to information, and job-hopping nature—all of which builders and agencies need to leverage and integrate without allowing the inmates to run the asylum. "It's a fine line," says Joy.

Here are a few tips for getting along with the younger set:

REINFORCE THEM. Having grown up in an era where everyone gets a trophy, Gen Y workers are used to constant and instant reinforcement and recognition, even for menial tasks. Short-term goals, immediate rewards, and daily reports will sooth their anxieties and stroke their egos.

LEAVE THEM ALONE, IN TEAMS. The next generation of workers wants autonomy and responsibility, sometimes beyond their capacity, but are far from lone wolves. Used to teamwork, they thrive in group dynamics, appreciate being consulted about company decisions, and respond to expectations and standards if they are allowed to help create them.

GIVE THEM A BREAK. Echo boomers are loyal to their personal interests more so than any employer and feel entitled to negotiate work hours that enable those pursuits. Employers thus need to consider incentives such as short work weeks or work hours and midweek days off. That attitude translates to the work environment, too, where comfortable "hang-outs" for work *(see page 60)*



and downtime within the office layout seem to inspire better performance.

TAP THEIR TECHNOLOGY. Kids aren't looking in the paper for jobs, but rather on Craigslist and Monster.com—and your Web site—and probably using their smartphones to do so. In addition to finding them in their own realms (rather than yours), leverage their comfort with technology to connect with younger home buyers, many of whom rely on and want instant and electronic communication that this generation understands and comfortably executes.

KEEP THEM HAPPY OR LOSE THEM. It's not a seller's market anymore, in housing or for housing employers, and Gen Y workers are content to move on if there's no clear path for career advancement. A recent study found that two-thirds of them believe they should spend no more than two years at an entry-level position. "We're moving toward a market [of] employees who will move between jobs with impunity," says Dave McCaffrey, president of Predictive Resources, an employment consultancy in Elmhurst, Ill.

It sounds like a scenario in which the tail appears to be wagging the dog, but Joy insists there is a middle ground. "Don't give into them at the expense of poor performance," she says. "Set the vision, values, and goals for the organization, and don't be a pushover."—*R.B.*

Working Women

Confirming conventional home-sales wisdom, a recent study by Harvard's Joint Center for Housing Studies indicated that women control more than 90 percent of all home buying and remodeling decisions. According to the NAHB, single women make up the second-largest and fastest-growing segment of buyers. Though written as a guide for female housing consumers, *Trillion Dollar Women* by Tara Nicholle-Nelson provides valuable insights for builders and sales associates anxious to know what women want. Price: $12.95 for NAHB members; $14.95 retail. For more information or to order, go to www.builderbooks.com or call 800-223-2665.—*R.B.*

GOT A SALES TIP?

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Spec Solutions

At a conference earlier this year, management expert Al Trellis suggested that, in fact, having (or even building) a few spec homes isn't necessarily a bad thing for most small-volume builders. Of course, he's not suggesting a whole neighborhood of standing inventory, but rather that a couple of specs can actually be valuable assets in a slow sales environment. "You always want to have something built and ready to satisfy an immediate housing need such as a relocation buyer," says Trellis. In addition, he advocates leveraging the investment in a spec house by using it as a furnished model home, sales office, or design center. It may also serve as a place to train trade workers before letting them loose on a real job and experiment with new products. If builders want to introduce a new floor plan or model that they believe will energize sales, building a single spec home as a model might just fit the bill, which also will keep subs and crews busy and loyal. "The more you can make it work for you, the better," says Trellis.—*R.B.*

GREEN AMENITIES

Natural Attractions

Builders and developers are eschewing traditional amenities for natural features.

At Silver Woods in Ocean View, Del., builder/developer Robert Thornton chose to weave boardwalked trails dotted with bird feeders through his 350-plus lots rather than cover up the wooded parcel with conventional attractions such as tennis courts. "We're using the natural benefits of the land as an amenity," he says. "It may cost me a few lots [to preserve trees and other organic elements], but it's value gained, not money lost."



It's a trend that's cascading across the country as a natural (and logical) by-product of green building. "Connecting with nature is important in today's deadline-driven society," says Ellen Goetz, a landscape architect in Naples, Fla., who has incorporated natural features as part of the amenities packages for several communities.

And it isn't just nature and bike trails that attract today's eco-conscious buyers. Bird-watching, kayaking, horseback riding, and fly fishing opportunities; restored wetlands; game crossings; and neighborhood gardens are cropping up on the list of hot-button features, while fitness centers and indoor facilities are being left until the last phase, downsized to preserve existing landscape, or not built at all. "Parks and other natural areas provide a calm place in the world," says Goetz. "The more we can make these places more experiential and engaging, the more residents are going to enjoy living where they do."—*R.B.*

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The Fallout

We have yet to see how the government's actions will affect the housing industry.

THE ECONOMY AND INVESTORS ARE CURRENTLY BRACING FOR the ramifications of one of the most unprecedented actions ever taken by the federal government, which is set to alter the landscape of the U.S. financial system. In theory, a government-created entity designed to offload toxic assets from the balance sheets of financial institutions has the potential to stabilize the beaten-down credit markets, which in turn might alleviate pressures in the housing market. In addition to the government-financed takeover of troubled assets, the Treasury also plans to expand its previously announced program to buy agency mortgage-backed securities and have the government-sponsored enterprises (GSEs) increase their purchases of mortgage-backed securities in the open market.

In the words of Treasury Secretary Paulson, removing these assets from financial institutions will help to "restore confidence in our markets and our financial institutions so they can fuel continued growth and prosperity." The government has essentially taken the stance that committing hundreds of billions of dollars of taxpayer monies is worth avoiding the unknown of continued financial institution failures.

While the preliminary commentary indicates that the government is focused on purchasing up to $700 billion of residential and commercial mortgages and securities from financial institutions, there is much uncertainty about what the plan might ultimately entail. Furthermore, there is mounting speculation that the government could pursue a second housing stimulus bill including the re-implementation of down-payment assistance, a larger tax credit, and a freeze on foreclosures.

The bailout plan could target three potential areas: the purchase of mortgages and securities; the purchase of foreclosed homes; and the purchase of AD&C loans.

In my view, the primary roadblocks to a housing recovery are confidence, consumer credit quality, and deflating home values—not liquidity. The government has already taken numerous steps to infuse liquidity into the secondary mortgage market with little impact on housing fundamentals. This government bailout will not address the credit problems or accelerating job losses plaguing the market; however, it will lower mortgage rates and might improve confidence for buyers who have been on the sidelines. The Catch-22 for these buyers is the inability or unwillingness to sell existing homes at depressed prices, particularly as about 10 million (or 20 percent) of mortgage holders have zero or negative equity.

I currently estimate that there are approximately 800,000 to 1,000,000 foreclosed homes owned by banks and other financial institutions. Assuming that the government can judiciously purchase the foreclosures, hold them until the market is much stronger, absorb the carry costs, and avoid the moral hazard of additional foreclosures, the benefit to the housing market would be significant. At the very least, perception alone would be a boon to confidence. However, I believe that this would result in an enormous drop in existing-home sales as real sellers would be unwilling to sell into a down market at depressed comps from previous foreclosure prices.



If AD&C assets are taken off of lenders' books at some level of discount, it is likely to result in an acceleration of impairments taken by builders. Additionally, I believe it is highly unlikely that banks will immediately re-enter the still-risky real estate lending business simply because it has been cleansed of troubled loans.

Unanswered questions include: How will the value of purchases be determined? Is this a one-shot offer? Are non-bank financial institutions such as hedge funds, insurance companies, and municipalities able to participate? How will the government ensure that fresh capital is reallocated to the housing market? And, does the government understand the risk?

As Congress considers another housing stimulus plan, I believe that, if implemented, the return of down-payment assistance and a larger tax credit that does not require repayment would be most effective toward stabilizing the market. I believe that freezing foreclosures or loosening underwriting criteria would be harmful to the medium-term health of the market and carry heavy moral hazard risks.

IVY L. ZELMAN
CEO
Zelman & Associates
Cleveland
e-mail: ivy@zelmanassociates.com

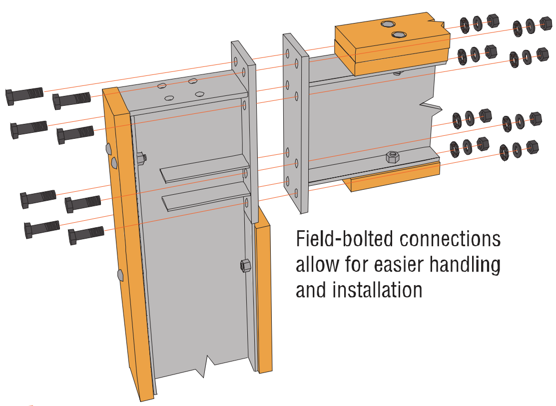


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Field-bolted connections allow for easier handling and installation

"Builders are going to find these frames much easier and less expensive to install. For example, if you look at a typical garage-front application and consider materials, footing size and installation time, our moment frame is comparable in price to a portal built with factory-built shearwalls."

Tim Ellis, SE – *Product Manager, Strong Frame Team*

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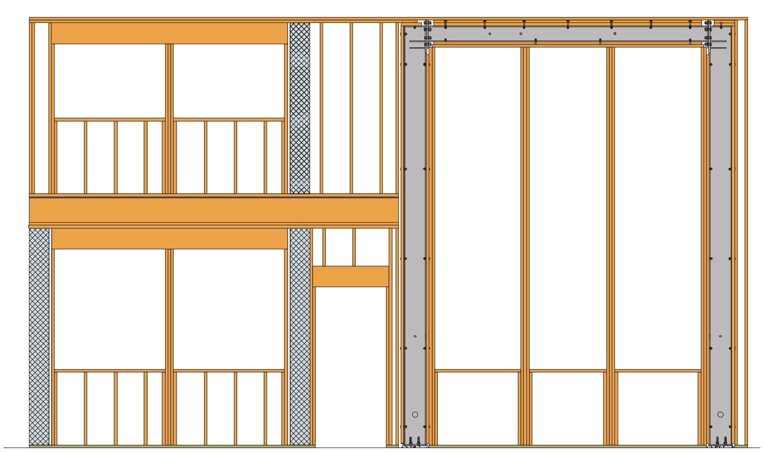
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Moment frames have long been considered the expensive option when small wall sections and open floor plans make shearwalls unworkable. Simpson Strong-Tie is going to challenge that perception with the new Strong Frame™ ordinary moment frame. Now designers can choose from 196 engineered frames, in sizes up to 16 feet wide and 19 feet tall, rather than spend hours designing their own. And since the Strong Frame is the only factory-built moment frame for wood that offers 100% field-bolted connections, it is easier and faster to install. Now there is a cost-effective moment frame solution for residential, light commercial and multi-family applications: Simpson Strong-Tie® Strong Frame.
For more information call (800) 999-5099 or visit us at **www.strongtie.com.**
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CABINET POSITION: Design Pro is a new line of undercabinet LED lighting that saves money and energy. Featuring a thin profile that blends into cabinet design, the product offers 40,000 hours of life and is easy to install. It comes in three outputs—4-, 8-, and 12-watt—and bronze, white, and nickel finishes. ■ **Kichler Lighting. 866-558-5706. www.kichler.com. Circle no. 108.**

STEP LIGHTLY: This new architectural collection of 12-volt LED step lights can be used for outdoor walkways, steps, decks, and patios. Offered in a variety of models and sizes, the fixtures are designed in horizontal, circular, and vertical configurations and come with louvers and frosted glass. The units shown here feature a cast aluminum housing and measure 5 inches or 7.5 inches wide and 3 inches thick. ■ **Orbit/Evergreen. 800-906-7248. www.orbitelectric.com. Circle no. 109.**



High Beam

Can LED lighting replace the incandescent bulb?

THE TRADITIONAL INCANDESCENT light bulb as you know it soon will be extinct. It's probably not going to happen tomorrow or even next year, but there is no doubt that the 125-year-old technology that Thomas Edison created will be largely gone before you know it.

In some ways, the slow death of the bulb has already begun. When President Bush signed the energy bill last December, buried in the legislation was a provision that phases out incandescent light bulbs over the next four to 12 years in favor of more energy-efficient technologies.

Incandescent has had a good run. The technology uses an electrical current that heats a filament to produce warm, high-quality lighting that is very flattering, says Mary Beth Gotti, manager of GE's Lighting and Electrical Institute in Cleveland. It's cheap, effective, and readily available. "It also comes in different shapes and sizes and is dimmable," Gotti adds.

However, the traditional light bulb is an energy hog, and this is the reason for its demise. Compact fluorescent lighting (CFL), the likely successor to incandescent, is a good, energy-efficient option that has come a long way from the days when long tubes produced an unappealing buzz and an undesirable bluish hue. Newer spiral-shaped bulbs offer better performance. With light outputs of 40 to 80 lumens per watt, they're extremely efficient. ToolBase Services, the technical information *(see page 68)*

MODA LOAD: The manufacturer's LED recessed lighting has a life expectancy ranging from 30,000 hours to more than 50,000 hours at 70 percent of its original lumen output. Each light measures 3 inches and features 1- or 3-watt units. A series of downlights also is available with a black reflector. ■ **Moda Light. 239-242-6667. www.modalight.com. Circle no. 110.**



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resource of the NAHB Research Center in Upper Marlboro, Md., says fluorescent bulbs last up to 10 times longer than incandescent and use 50 percent to 80 percent less energy.

But now a newer technology, light-emitting diode (or LED), is emerging, and manufacturers say it offers more promise than CFLs. LED fixtures use a semiconductor to convert electricity into light. ToolBase says the bulb incorporates a built-in driver (like a fluorescent ballast) or uses a plug-in transformer that allows portable fixtures to run on standard AC power. Bulbs generate about 20 to 30 lumens per watt.

LEDs aren't exactly new—they've been around since the 1960s—but manufacturers say they have made technological advancements that will propel the technology into consumer consciousness. Zachary Gibler, chief business development officer for New York–based LED manufacturer Lighting Science Group Corp., has even proclaimed 2008 "the year of the LED light." Why the confidence? LEDs are "now at a point where they deliver comparable performance to incandescent," Gibler says. "They can put out the same amount of light, the color temperature is similar, and the color rendering is now close to incandescent."

"In the past, LEDs were synonymous with harsh, blue tints, but LED technology has grown considerably," says Jim Jones, product manager of Kichler Lighting in Cleveland. "The LED chips Kichler uses emit a soft, white light that adds warmth and ambience."

ToolBase agrees that LEDs are more efficient and do not produce heat like incandescent bulbs. Moreover, they "last considerably longer than incandescent or fluorescent lighting" and "don't typically burn out like traditional lighting, but rather gradually decrease in light output."

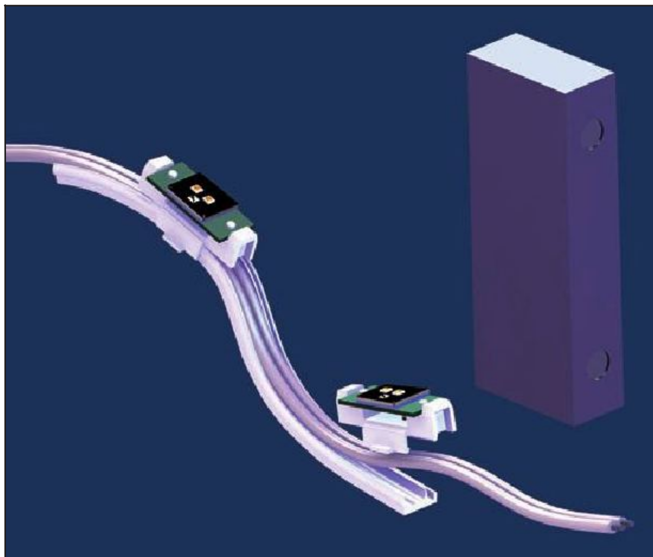
Lighting designers admit that LEDs have come a long way, but some say the technology still has some growing to do. Naomi Miller, principal of Naomi Miller Lighting Design in Troy, N.Y., says the technology still isn't mature enough. "The color rendering is not very good, and many flicker during operation with a dimmer," she says. Miller admits that LEDs are great for colored lights, but she says they're inconsistent for white light and don't generate as many lumens as manufacturers claim. "The technology is evolving very fast," but it's still about five years away from perfection, she says.

Samuel Samson, CEO of Moda Light in Cape Coral, Fla., disagrees with this assessment. Samson says Moda, which only manufactures LED fixtures, develops products that are every bit as consistent as incandescents and more energy efficient than CFLs. The fixtures "use only a small amount of electricity, last in excess of 50,000 hours, and are maintenance-free," Samson says. One of the company's 15-watt recessed products is brighter than five 50-watt halogen bulbs, he claims.

Despite the long list of positive attributes, LED has limitations. Designers say the fixtures typically beam light in a single direction, so they are great for art or as undercabinet lighting but are not as good for general-purpose illumination unless you use a lens or reflector to spread the light. Price is also a major issue. "The biggest limitation to LED for common residential use is the cost of manufacturing due to still-limited production runs," ToolBase reports. "Manufacturers claim production will increase considerably in the near future, further lowering prices. Currently, there is a limited number of LED fixture manufacturers, but this is changing."

Despite cost and other issues, manufacturers are convinced that LEDs are the future of lighting. With the surging interest in energy efficiency and high-performance homes, they say, the demand for products that cost less to operate will only grow.

(see page 70)



MOOD LIGHTING: The Ambiance Lx LED lighting system is designed for undercabinet or architectural cove applications. Unlike traditional lighting that produces illumination in every direction, the system is efficient at directing light where it's needed. The low-voltage product offers 1.2 watts per socket and will provide 50,000 hours of life. ■ **Sea Gull Lighting. 800-347-5483. www.seagulllighting.com. Circle no. 111.**



RECESS APPOINTMENT: The Halo downlighting product line now includes an LED version. Designed for new or retrofit construction, the module delivers over 600 lumens or about the same light output as a 65-watt BR30 lamp or an 18-watt compact fluorescent bulb and will provide up to 50,000 hours of life (or more than 20 years when used six hours a day). ■ **Cooper Lighting. 770-486-4800. www.cooperlighting.com. Circle no. 112.**

GOT A NEW PRODUCT?

E-MAIL NIGEL F. MAYNARD AT:
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Air It Out

A well vented bathroom is more important than you think.

IF YOU'RE BUILDING YOUR HOUSES to high-performance standards, the last thing you want to do is overlook the little things. The proper ventilation of the bathroom is one of them.

Because homes are so tight these days, moisture and odor in the bathroom will linger unless you remove them. "A properly installed bathroom exhaust fan will rid the bathroom air of excess moisture, humidity, odors, and other pollutants," says the Wauconda, Ill.–based Home Ventilating Institute (HVI), a nonprofit association of ventilating product manufacturers. "It also helps to remove water vapor that has accumulated on mirrors and walls."

Everyone can agree that venting the bath is a good idea. The question, however, is how to do it correctly. There's more to it than you might think.

First, you must choose the right size exhaust fan. At a minimum, the fan should be rated to move 1 cubic foot of air per minute (CFM) for every square foot of space. For bathrooms larger than 100 square feet, HVI suggests CFM ventilation rates based on the number and type of fixtures in the bathroom: 50 for a toilet, 50 for a shower, 50 for a bathtub, 100 for a whirlpool.

Placement of the fan also is a big consideration. Fans should be located over or near the shower or tub and in an enclosed toilet, HVI advises. "With windows closed, exhausted air will be replaced by makeup air from adjacent rooms or forced air system registers," HVI notes on its Web site, adding that exhaust points should be "located away from the supply, thereby pulling the supply air through the room." In addition, bathroom doors need to have at least a ¾-inch clearance from the floor to allow makeup air to enter. Spaces with ceilings measuring more than 8 feet may require additional ventilation.

Lastly, fans should remain on for 20 minutes after use of the bathroom, though home buyers seldom do this. For this reason, manufacturers such as Secaucus, N.J.–based Panasonic and Hartford, Wis.–based Broan-NuTone are offering products that automatically activate either through moisture sensing or motion detection so homeowners will not have to worry about it. Follow these steps and your baths will remain fresh and moisture-free for years to come. **B**



SENSE AND SENSIBILITY: SmartSense is an ingenious ventilation system that connects all of the company's Ultra Silent fans installed throughout the home. A master control monitors the manual usage of the fans and automatically activates and adjusts the units to achieve optimal ventilation. Fans are available at 0.3 and 0.7 sones and are rated at 80 and 110 CFMs. ■ **Broan-NuTone. 800-558-1711. www.broan.com. Circle no. 113.**



STEP OUTSIDE: Unlike most vent fans, the motor for the PBW110H mounts on an exterior wall, so homeowners will not hear the unit when it's activated. It features insulated flex duct and uses either a 50-watt halogen or a 14-watt compact fluorescent light. The unit is rated at 110 CFM, and the housing measures 5 ½ inches. ■ **Fantech. 800-747-1762. www.fantech.net. Circle no. 116.**



SILENT WHISPERS: WhisperGreen is outfitted with a SmartAction motion sensor that knows when a person enters the bath and elevates the fan to its full power of 80 CFMs. When the person leaves, the fan returns to a lower power level after a predetermined time, which is set by the homeowner. Fans can be equipped with light and nightlight features. ■ **Panasonic Home and Environment Co. 866-292-7292. www.panasonic.com. Circle no. 115.**



NEW WAVE: If you're looking for a bath fan that makes an attractive statement, this product line features light-fixture–type materials such as metal finishes and frosted glass. The modern-looking Halcyon, shown here, offers cast chrome over swirled glass and is rated at 90 CFM. It operates at 2.5 sones. ■ **Hunter Fan Co. 888-918-4326. www.hunterfan.com. Circle no. 114.**

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TECHTOOLS

TECHNOLOGY FOR THE MODERN HOME BUILDER ■ EDITED BY STEVE ZURIER

Technology Comes Together

Best-of-breed technology lets a Canadian builder keep pace in the challenging market.

Canadian home builders haven't experienced as severe a downturn as U.S. builders, but Brandon Campbell, sales manager for Starward Homes in the Toronto metro area, says that's no excuse to stay complacent.

For Campbell, to stay competitive today, he says builders need to cut paperwork costs, run the production process more efficiently, and improve the customer experience.

One of the best ways to reach these goals, says Campbell, is by deploying the latest software technology. Starward Homes has opted for best-of-breed technologies from Sales Simplicity (sales software); Builder MT (production management/workflow); Sage Timberline Office (accounting); and Corrigo (warranty management).

Builders have long waited for a single system to accomplish all of their goals, and while there are some options that handle most of the tasks, such as products from Constellation, Reflex, and Mark Systems, many builders have decided that integrating best-of-breed products is the most efficient option.

Many home builders like that they can add modules over time, absorbing the costs over several months, even years.

"I like the way the different companies work together," says Campbell. "And if it ever comes to pass that one of the partners needs to be replaced, it doesn't mean that I have to pull apart the entire system," he adds.

Starward's goal is to slash paper costs by automating work orders and purchase orders; operate more efficiently through a trade portal that posts schedules, documents, and invoices; and improve customer relations by having a sales and warranty system that offers customers accurate information in real time.

Campbell says builders should budget about $250,000 for a similar software project.

Get Interactive

A new service from Constellation brings homeowner's guides to life.

For years, buyers received their homeowner's manual on closing day, a thick, encyclopedic volume that may have been read just once by the average homeowner.

Now, Constellation HomeBuilder Systems is marketing BuildServ, a series of multimedia products that help create an interactive experience between the builder and the home buyer during the standard one-year warranty period.

Instead of handing buyers a paper manual, BuildServ appeals to today's technology-savvy buyers by letting them view maintenance and warranty information on a CD-ROM, via a flash drive, or online. Home buyers who want printed materials may also receive paper versions.

The CD, flash drive, and online version offer videos of standard maintenance issues such as caring for the new home's floors or the HVAC system. Home buyers are prompted every quarter to view the videos and access the user guides via targeted e-mails. Some builders opt to send the e-mails for several years beyond the warranty period. Posting the information electronically saves builders paper and mailing costs and helps them connect with buyers.

BuildServ, which is sold as a service to home builders starting at $500 a month, is also the name of the company Constellation acquired last summer. BuildServ has about 30 customers. Visit www.ownershipguide.com for more information. **B**



VIDEO GENERATION: BuildServ features at least 20 videos on home-maintenance topics.

Half the Price

Builder1440 is now offering a scaled-down version of its CRM system for small custom builders. The software lets builders manage contacts, register users, and run automated campaigns and marketing reports,



all for half the price of the standard Builder1440 system. Sales1440 Standard Edition sells for $69 a month per user. Visit www.builder1440.com.

Sage Security

The new 9.5 version of Sage Timberline Office is now shipping. The software features streamlined security management that lets IT managers set policies and access rights in one location, as opposed to setting separate access rights for accounts payable, estimating, general ledger, and payroll. It also has a daily report feature that allows project managers to track weather reports, equipment status, and job progress in Timberline's project management module.

DO YOU HAVE A TECH STORY?

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SAVE OUR FUEL

NAHB BRIEFS

Pay Up

At the start of the new year, buyers who use FHA mortgages for their financing will be required to make a higher down payment, one of many changes to the FHA single-family mortgage program resulting from recent changes in the law. As of Jan. 1, FHA home buyers will have to make a cash contribution of 3.5 percent, and the new law makes no mention of closing costs. The FHA has interpreted this change to mean



that closing costs will no longer be factored into the mortgage/down-payment calculation.

Right Price

Low-ball appraisals have emerged as a significant stumbling block in lining up credit for the construction and sale of new homes. In a special presentation on Sept. 24, Robert Caringella, a principal of Jones, Roach & Caringella, offered advice on how builders can help appraisers give an accurate estimate. He cited the case of one local builder who was able to get good results because "he knew to give them the same information the builder had that convinced him to go forward. Give ▸

NATIONAL BEAT

NEWS FROM HOUSING'S GROUND ZERO ■ EDITED BY CLAIRE KOLTKO



ILLUSTRATION: RICHARD BORGE

FROM THE PRESIDENT

Interest Rises

Home buyers are rediscovering FHA-insured mortgages.

In today's troubled housing market, it's very reassuring to know that our old friend, the FHA mortgage loan, is still available to home buyers.

In fact, the Housing and Economic Recovery Act of 2008 and earlier legislation made a number of changes to FHA-insured mortgages that will make them even more effective in helping to meet the nation's housing needs going forward.

Over the past two decades, the popularity and relevance of the FHA's single-family programs have waned because statutory and regulatory constraints have limited the agency's ability to carry out its mission of helping spur housing opportunities for America's working families.

Buyers, lenders, appraisers, and others have generally viewed the differences between FHA requirements and those for conventional mortgages as a disincentive to use FHA programs. In fact, the program and operational requirements, which are established by Congress, have seriously limited the FHA's ability to deliver the range of mortgage products that are needed to fulfill its housing mission.



SANDY DUNN
PRESIDENT, NAHB
WASHINGTON, D.C.

With the near collapse of the mortgage market and more restrictive underwriting by Fannie Mae and Freddie Mac, there has already been an upsurge in the use of FHA-insured mortgages. The economic stimulus legislation enacted in February temporarily increased FHA loan limits throughout the country to a maximum of $729,750 for a one-year period, a move that encouraged more buyers to consider FHA mortgages. This trend is likely to continue and increase as the conventional loan market retrenches and the market rediscovers this important mortgage product.

Aiding this surge of interest in FHA-insured loans, provisions *(see page 76)*

in the Housing and Economic Recovery Act of 2008 also make FHA-insured loans more appealing to consumers and will allow the FHA to deliver a range of mortgage products more effectively. The bill:

■ Increases the current limit for FHA-insured mortgages to 115 percent of an area's median home price, up to $625,500. This will enable more creditworthy borrowers to purchase FHA-insured loans in high-cost markets.

■ Raises the floor for area FHA loan limits from $200,160 to $271,050.

■ Enables the FHA to simplify requirements for condominium loans, which have often been burdensome and have differed significantly from the rules applied to mortgage loans for detached single-family homes.

■ Allows the FHA to charge higher mortgage insurance premiums, but places a one-year moratorium on implementation of risk-based mortgage insurance premiums.

■ Expands opportunities for seniors to tap into equity in their homes through FHA reverse mortgage loans. The bill creates a higher nationwide uniform loan limit equal to $417,000. It also reduces and caps the maximum fee lenders can charge seniors for FHA reverse mortgage loans and establishes protections to prohibit requiring seniors to purchase other financial products in conjunction with these loans.

Although most changes to the FHA mortgage insurance program were positive, there was also a change that some may view in a negative light. The minimum down-payment requirement for an FHA-insured mortgage was raised from 3 percent to 3.5 percent. This requirement may be an obstacle to some potential home buyers, but it is understandable in light of the massive shake-up the mortgage market is now experiencing due largely to easy credit and minimal requirements for home buyers.

A significant change of great concern to builders is that seller-funded down payments are no longer allowed on FHA-insured mortgages, a move that is hurting the housing market and that the NAHB is working to fix.

Since its inception in the mid-1930s, the FHA has insured more than 34 million home mortgages and 47,205 multifamily project mortgages. Currently, the FHA has 4.8 million insured single-family mortgages and 13,000 insured multifamily projects in its portfolio. Equally important, in the agency's own words, "[the] FHA is the only government agency that operates entirely from its self-generated income and costs the taxpayers nothing."

Today, we are seeing a resurgence of interest in this most basic and enduring mortgage; it's good to know that your old friends are there when you need them. **B**

THE NAHB RESEARCH CENTER CORNER

Getting to Green

Now is the time to start planning for green approval.

WHILE IT IS IMPOSSIBLE to prejudge what ANSI will do with the National Green Building Standard, Draft No. 2 contains some time-proven, sound principles on land planning and site development that will benefit your project—and the environment—no matter when ANSI acts. It's time now to incorporate them into your planning.

Chapter 4 of the publicly available Draft No. 2 identifies numerous opportunities for site selection, design, and development that not only will minimize environmental impacts but also will protect, restore, and enhance the natural features and environmental quality of the site.

Some of these considerations and recommendations are:

■ Locate streets, buildings, and other features to conserve high-priority vegetation;

■ Incorporate a hydrological/soil stability study to guide the design of the buildings;

■ Reduce long-term erosion effects by using terracing, retaining walls, landscaping, and restabilization techniques;

■ Schedule construction activities to minimize the length of time that soils are exposed;

■ Use low ground pressure equipment or temporary matting to minimize excessive soil consolidation;

■ Install utilities by alternate means such as directional boring in lieu of open-cut trenching;

■ Preserve natural water and drainage features;

■ Select permeable materials for roads, driveways, parking areas, walkways, and patios; and

■ Preserve the natural environment while landscaping, and enhance areas that were cleared during construction with native or regionally appropriate plantings.

Selecting a team of qualified professionals trained in green development issues is invaluable to advise on-site supervisors and team members about the procedures to follow.

Additional recommendations for green building certification practices will be included in future columns.

Draft No. 2 of the National Green Building Standard is now available as a downloadable document on the Research Center's Web site at www.nahbrc.org/technical/standards/DraftVersion2.pdf.

NAHB BRIEFS

them the facts; drag in salespeople, engineers; walk the appraiser through the analysis," he said. Even though the lender should provide the appraiser with all the necessary information, builders can ensure the appraiser is knowledgeable about the property by providing a complete pro-forma that packages the budget, costs and fees, finish levels of the house, pricing support, and real information on concessions, Caringella adds.

Energy Costs

Tucked away in the financial rescue package approved by Congress in September is a set of provisions championed by the NAHB that extends several expiring energy tax incentives in the Internal Revenue Code. Section 45L allows a $2,000 tax credit for the construction and sale or lease of a home that achieves a 50 percent reduction in energy use relative to a home constructed according to the 2004 IECC energy code. This incentive locks in energy cost savings for the lifetime of a home, which averages more than 60 years. The legislation extends the new energy-efficient home credit through the end of 2009.



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The Real Problem

The government must help support house prices.

THE DRAMATIC CORRECTION IN HOUSING MARKETS IS THE KEY factor behind the recent turmoil in financial markets and the recent descent of the U.S. economy into recession. The most damaging aspect of this housing correction is not the falloff in home sales and construction activity but the unprecedented contraction in house prices across much of the country.

The house price correction has exposed the extraordinary deterioration of mortgage lending standards as well as the excesses in mortgage-related securities markets both during and after the 2003–2005 boom in home sales and housing production. This episode also has revealed a strong tendency of today's homeowners to swim away from underwater mortgage contract obligations, even when they still have the ability to fulfill those obligations.

The vicious cycle of falling house prices and rising foreclosures still is underway. The house price corrections certainly have boosted standard measures of housing affordability and rebalanced standard ratios of house prices to both household income and market rents. But all these measures ignore expectations of future house price movements, and persistently falling home sales (except for sales of foreclosed homes at fire-sale prices) show that price expectations of prospective buyers still are decidedly downbeat.

Builders obviously are struggling mightily in this deteriorating housing market. A series of surveys conducted by the NAHB during the past year show large cumulative price reductions along with unprecedented use of non-price incentives to bolster sales and limit cancellations. But our surveys also show only limited success from such measures, owing largely to the persistent upsurge in foreclosure sales and associated deterioration of house prices and house price expectations.

The deepening problems in housing markets cry out for strong government intervention to save not only the housing sector but also the overall economy and the financial markets. A lot has been done already, but policies in place or in the process of enactment are unlikely to eliminate downward pressures on house prices and break the vicious cycle that's eating away at mortgage credit quality and the guts of the U.S. and global economies.

The Federal Reserve may bear some blame for the runaway housing boom and the subsequent correction, but our central bank recently has been pulling out the stops to help support the economy and avoid financial market Armageddon. However, the Fed is finding that the stampede to credit quality, triggered by the meltdown of the mortgage market and persistent declines in house prices, is very hard to rein in. Indeed, Fed easing of monetary policy, along with a series of innovative liquidity-enhancing mechanisms, has had only limited success in the interbank loan market and even less success in freeing up credit for households, businesses, and municipal governments.



The Housing and Economic Recovery Act of 2008, signed into law at the end of July, had a number of provisions that held out promise for the deteriorating housing market. But the most promising provision, the temporary $7,500 refundable but repayable tax credit for first-time home buyers, apparently is providing only minimal support to housing demand. And the new Hope for Homeowners provision may turn out to have relatively little effect on foreclosures, considering the immense size of the problem.

The massive $700 billion Troubled Asset Relief Program (TARP), the centerpiece of the Emergency Economic Stabilization Act that was signed into law on Oct. 3, is being used by the Treasury to strengthen bank capital positions as well as to get deteriorating mortgage assets off the balance sheets of financial institutions. While such results certainly are essential to ultimate recovery of financial market conditions, it remains to be seen how well the programs will work in practice.

The strenuous efforts by the Treasury and the Fed are necessary, but they are not sufficient to rebalance demand and supply in housing markets and halt the destructive deterioration of house values. It's now clear that the administration and Congress need to enact additional measures to stem foreclosures and bolster home buying—as soon as possible.

DAVID F. SEIDERS
Chief Economist
NAHB
Washington, D.C.
e-mail: dseiders@nahb.com





green building

Choose Your Own Path To Compliance

The new National Green Building Standard sets a higher bar for sustainable home construction, but also provides builders with several ways to achieve certification.

NATIONAL GREEN BUILDING STANDARD™

The forthcoming National Green Building Standard (NGBS), expected to receive approval from the American National Standards Institute (ANSI) by year's end, is no easy read. Yet if you look closely at the multiple provisions and definitions, one thing comes through clearly—builders have choices.

That's truly the beauty of the new voluntary standard. Participating in the NGBS is optional and presented as such to state and local jurisdictions that are anxious to adopt green building standards for their communities. Most notably, rather than laying out a single path to compliance, the new Standard provides builders with numerous avenues to achieve improved efficiencies in energy, water and materials use as well as improved indoor air quality.

"Providing builders with options, including whether to participate at all, is a cornerstone of these standards," says NAHB's Calli Schmidt. "It allows them to build green based on their market conditions and budget."

That said, the NGBS is no pushover or rubber stamp standard. Though based on the NAHB's Model Green Building Guidelines released in 2005, it sets a higher bar across the board, from site selection, design, and building materials waste reduction through resource efficiencies, maintenance specs, and homeowner education provisions geared to help retain a home's green-built performance qualities and extend its design life.



Intents And Purposes

"This Standard shall establish practices for the design and construction of green residential buildings, building sites, subdivisions, and renovations thereof [and] is intended to provide flexibility to permit the use of innovative approaches and techniques. This Standard is not intended to abridge safety, health or environmental requirements contained in other applicable laws, codes, or ordinances."

— National Green Building Standard Draft, page 1.

green building: choices





Achieving Green

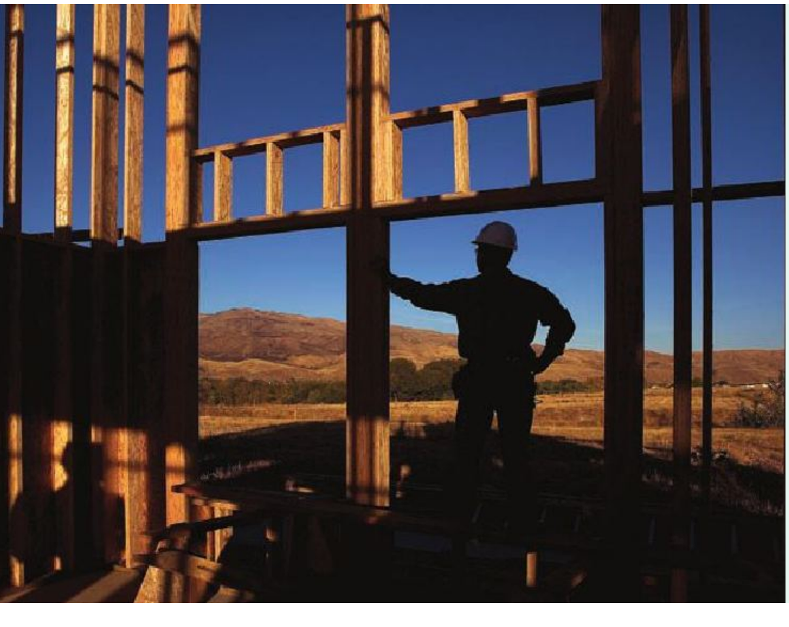
The NGBS maps out how builders can deliver homes that perform better and ultimately cost less.

The National Green Building Standard is organized into 7 basic categories to address a comprehensive approach to sustainable building design, construction, and operation. The standards provide compliance methods for individual homes, multi-unit buildings, remodeling projects, and entire neighborhoods. This allows a greater number of housing industry professionals to participate in the program while encouraging high-performance practices to proliferate farther, faster.

Each of the 7 basic categories begins with a general intent as to its purpose, from "design and construction practices that minimize the environmental impact of the building materials" to "measures that reduce indoor and outdoor water usage." From that point however, they splinter quickly into various options that can be applied to achieve the same intent. If a builder chooses to participate in the formal rating, inspection, and certification process, the program offers additional points for each provision to help determine a home's level of "green-ness."

What builders won't find within the basic categories are a whole lot of prerequisites to compliance. In fact, the few mandatory requirements are basic, common-sense provisions for any high-performance building, such as providing a water/vapor barrier behind the exterior finish and properly sizing HVAC equipment. In short, the NGBS assumes builders who are committed to green building by following the new standard will achieve basic levels of compliance without being forced to build a complex set of provisions that might hinder their normal building practices or budget before they can earn a single point toward certification.

With that, the standard also sets minimum requirements for energy efficiency, such as Energy Star-rated appliances and HVAC equipment performance ratings, and requires points be earned in each category to achieve certification. Even then however, builders are often given several options to meet those mandates.



NGBS Categories

- Site Design and Development
- Lot Design, Preparation, and Development
- Resource Efficiency (including construction waste)
- Energy Efficiency
- Water Efficiency
- Indoor Environmental Quality
- Operation, Maintenance, and Building Owner Education
- Additional points (up to 100 from any category)

Source: NGBS Draft Standard version 2.0 (Dec. 2007)

The following pages contain information on only some of the NGBS categories. For a full and detailed explanation of all seven categories, visit www.nahbrc.org/technical/standards/draftversion2.pdf.



How It Works

Implementing the NGBS requires a comprehensive approach to education, training, and compliance.

The NGBS is an ambitious undertaking. Not only did crafting the comprehensive standard break new ground in consensus building among a widely diverse—yet equally committed—group of stakeholders, implementing the NGBS requires a network of trained professionals to ensure compliance and foster its legitimacy among regulatory agencies, homeowners, and the housing industry itself.

In February 2008, NAHB launched the National Green Building Program to create a framework to address those issues. The program includes training and educational opportunities for builders and contractors (including certification as a green builder, a designation more than 1,000 pros had achieved through August) and for what is quickly becoming a legion of inspectors and raters prepared to evaluate homes built to both the NAHB guidelines and the NGBS.



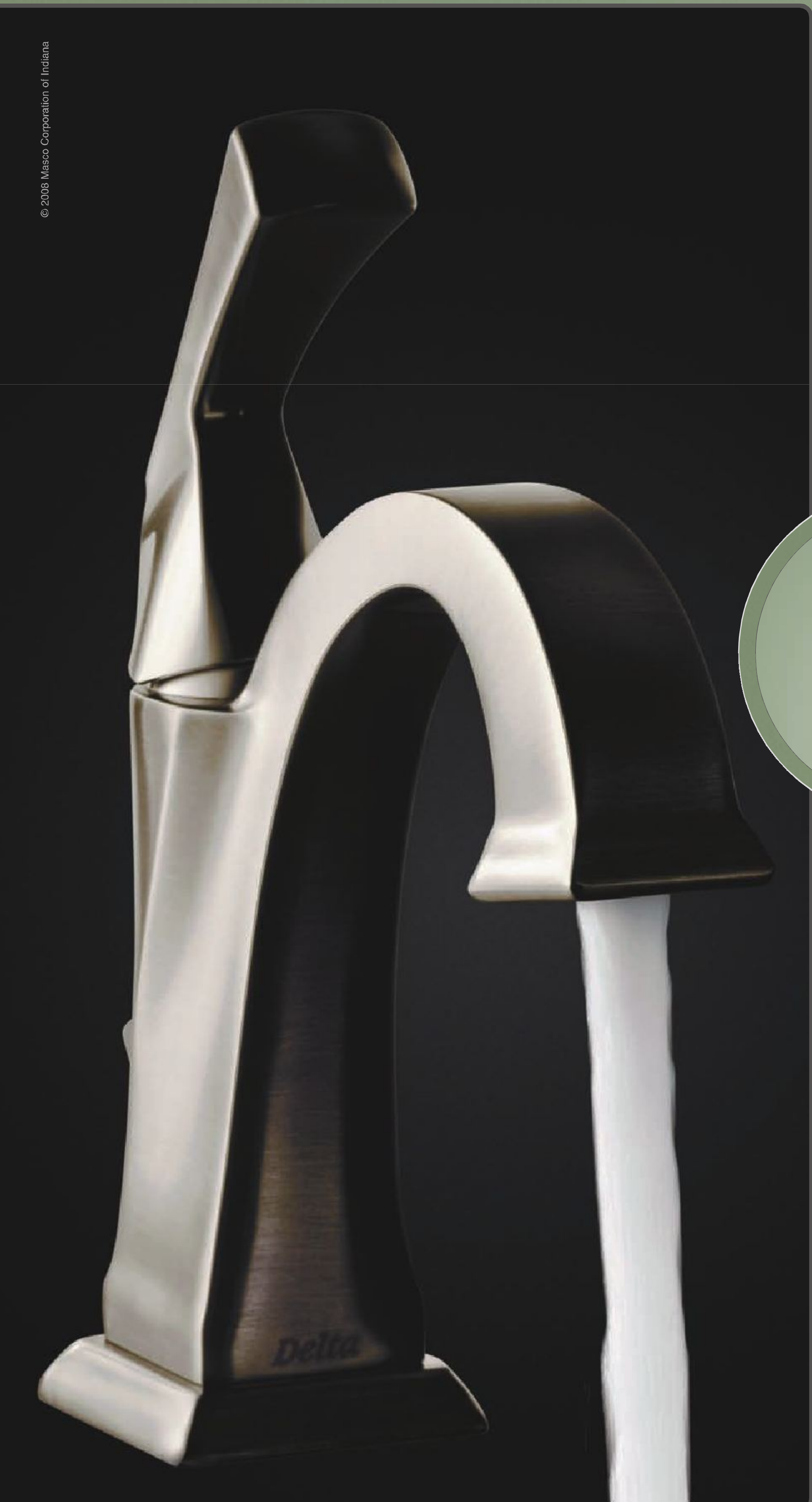


The program's resources, including a registry of independently certified green-built homes (currently estimated at 330,000 nationwide), also is geared to integrate existing green building programs that cropped up in several markets prior to—and since—the release of NAHB's initial set of guidelines in 2005. "We count nearly 200 state and local NAHB chapters that now offer some level of green building services to their members," says Emily English, the program's manager at NAHB. That's up from 40 or so only a few years ago. "We expect a big spike once the NGBS gains ANSI approval, as a lot of chapters are waiting for that."

When the NGBS gains approval, it will be implemented into the next possible edition of the International Building Codes as ICC-700, thanks the inclusion of International Code Council representatives during the standard's consensus development. Although part of the I-codes, the NGBS will not be mandated. Rather, it will provide builders (and regulators) with a new benchmark for green building should they choose to achieve—or exceed—it.

Builders seeking formal certification under the standard (as they now do under the NAHB guidelines) must follow a process of detailed documentation and multiple inspections to earn points toward a bronze, silver, gold, or emerald rating (the latter of which will only apply to NGBS-complaint buildings) and the right to market their homes and neighborhoods as meeting that standard.

For more information about the National Green Building Program, go to www.nahbgreen.org.


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Delta

green building: choices







PREFAB POINTS:
The NGBS awards points for precut or preassembled structural components for the walls, floors, and roof, such as panelized or precast sections, and even more credits for modular homes… all of which optimize materials and reduce on-site waste.

Meeting The Standard: Resource Efficiency

Intended to encourage design and construction practices that minimize the environmental impact of building materials, including efficient building systems and construction waste reduction.

In addition to rewarding smaller homes with more points toward a rating and certification, the NGBS provides builders with several options to meet its intent for reducing the amount and types of materials used in residential construction. It also strongly encourages on-site waste reduction, which most builders find to be enabled increasingly by their own policies for subs and suppliers as well as burgeoning local sources for recycling, salvaging, and source-separated waste management.





PREFINISHED PREFERRED: Building materials that are factory-finished and do not require much more than touch-ups on site, such as prestamped or pigmented concrete, prepainted trim, finished wall coverings, and clad windows and doors, earn credits toward certification depending on how prevalent they are in the home.

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Knauf EcoBatt™ Insulation doesn't look like any insulation you've ever seen, but that's because its natural brown color represents a level of sustainability never before achieved.

The color comes from ECOSE™ Technology, a revolutionary, new sustainable binder born from five years of intensive research. Made from rapidly renewable organic materials rather than oil-based chemicals commonly used in other insulation products, ECOSE Technology reduces binder embodied energy by up to 70%, and does not contain formaldehyde, phenol, acrylics or artificial colors used to make traditional fiberglass insulation.

EcoBatt Insulation combines sand, one of the world's most abundant and renewable resources, post-consumer recycled bottle glass and ECOSE Technology to create the next generation of sustainable insulation…naturally from Knauf.

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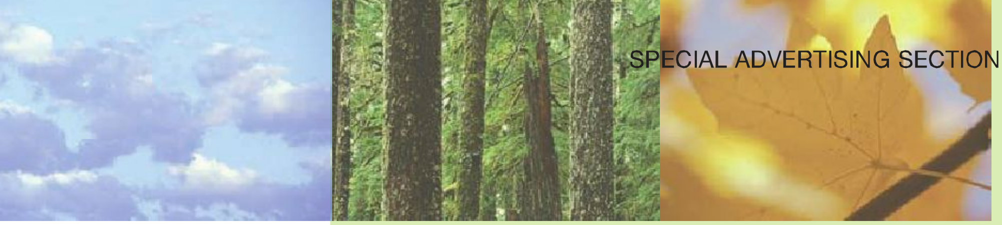


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it's time to save energy



green building

Architects Leading The Sustainable Evolution

As part of the American Institute of Architects' target to reach carbon neutrality in buildings by 2030, we have developed numerous resources on sustainable design practices for both clients and practitioners, such as the 50to50 Toolkit–50 strategies, tools, and techniques that will have an effective and immediate impact on architects' ability to achieve significant carbon reduction. There are also reports on state and local green building trends, the informative Greenstep video series, and several podcasts on sustainable design.

These and other resources can be found at www.aia.org/walkthewalk.

Supporting The Efforts Of Sustainable Design

The AIA has been recognizing excellence in sustainable design since 1997 through the Committee on the Environment Top Green Projects awards program. The project descriptions that can serve as helpful case study examples highlight both the design innovations and sustainable strategies, along with the metrics achieved in terms of reduced carbon emissions, reduced energy consumption, and improved building functionality. The winning projects are chosen because of their thoroughly integrated approach to architecture, natural systems, and technology. They make a positive contribution to their communities, improve comfort for building occupants, and reduce environmental impacts through strategies such as reuse of existing structures, connection to transit systems, low-impact and regenerative site development, energy and water conservation, use of sustainable or renewable construction materials, and design that improves indoor air quality.

In order to achieve our goal, all design and construction professionals must unite and collaborate more effectively so that in the near future, all design becomes sustainable design. Let's Walk the Walk together.

THE AMERICAN INSTITUTE OF ARCHITECTS

LEFT: Aldo Leopold Legacy Center, The Kubala Washatko Architects, Inc., *Image credit: Mark F. Heffron*

RIGHT: Queens Botanical Garden Visitor & Admin. Center, BKSK Architects *Image credit: Jeff Goldberg/Esto*





Circle 201 or http://builder.hotims.com





green building: choices





RENEWABLES REWARDED: The standard encourages and rewards the use of recycled-content products, those that utilize renewable resources, and are engineered to reduce raw, virgin, or depleted natural resources to facilitate a shift away from traditional materials.

In Addition...

Other options within the "Resource Efficiency" section of the NGBS include:

- Code-approved advanced framing techniques
- Frost-protected shallow foundations
- Adobe, concrete/masonry, log, or rammed earth above-grade walls
- Recessed and/or covered entry (protection against rain and solar gain)
- Various basement waterproofing and storm water runoff systems
- Termite barriers
- Certified cool and green roofs
- Occupant recycling



WASTE NOT: The standard lays out the framework for a comprehensive waste management plan, including the reuse of clearing debris and other appropriate materials and source-separated recycling and salvaging.




RADON TEST KIT
Radon Test Kits Make Smart Stocking Stuffers.
Thinking green is making sure the air in your home is healthy for your family to breathe. Preserve your family's health and well-being with the gift of safer indoor air. Test your home for radon. Radon test kits make smart stocking stuffers, and it's easy to build radon-resistant new homes.
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or visit www.epa.gov/radon.
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This information is provided as a public service to help protect our environment and public health. EPA does not endorse this particular builder or any other commercial service or enterprise.
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green building: choices



Meeting The Standard: Energy Efficiency

Intended to provide a comprehensive energy-use and efficiency package, based on either a prescriptive or a performance basis.

A prime example of the choices that the NGBS affords builders, the energy efficiency section allows them to follow a prescriptive or performance path to achieve points toward certification. Either way, builders have options that enable them to reflect budget and market demand issues while still delivering homes that meet and likely exceed the International Energy Conservation Code (IECC) minimums. The section contains most of the mandatory provisions to gain certification, a reflection of the relative maturity of home energy efficiency technologies and practices that have evolved during the last 30-plus years.

LIGHT THE WAY: To gain points toward certification at least half of the home's hard-wired lighting fixtures, or the light bulbs in those fixtures, must meet Energy Star (or equivalent) standards. The NGBS also encourages fewer recessed fixtures, specifically allowing only one per 400 square feet of conditioned floor area.



UPGRADED INSULATION: The NGBS rewards builders who push the thermal value of the envelope. Depending on the climate zone, a 10% or 20% improvement in insulating value can earn significant points toward certification.

SOLAR SAVVY: The NGBS accommodates solar electric or photovoltaic (shown at right, built-in to a standard roof finish) and solar thermal (hot water) systems either to supplement energy use from the grid or as standalone, off-grid solutions. Design and materials that facilitate passive solar heating and cooling also are rewarded.



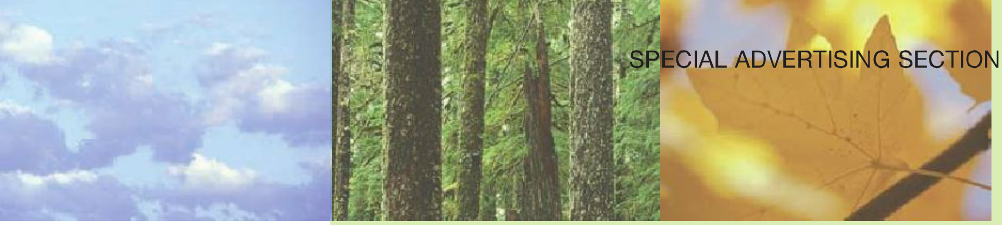


WINDOW VALUES: Windows are a huge part of maintaining an efficient thermal envelope. Fenestration, including windows, skylights, glass doors, and tubular daylighting products, must be NFRC-certified for their U-factor and solar heat gain coefficient rating according to the home's climate zone.

In Addition...

Other options within the "Energy Efficiency" section of the NGBS include:

- The use of preinsulated building systems, such as SIPs and ICFs
- Combination space and water heating systems
- Insulated hot water pipes (to a minimum of R-4)
- Occupancy and/or motion sensors for lighting schemes
- Energy Star-rated appliances
- Other onsite renewable energy sources, such as wind
- Building envelope leakage per a blower door test



green building

Fantech Ventilation Products Help You Build A Healthy Home

Today's homebuyers can't help but be affected by all the talk about the importance of building green. As they consider which home to choose for their family, the "green" word is sure to come up.

Fantech ventilation products can help you not only build green but build healthy. This dual message is sure to attract potential homebuyers concerned about the environment as well as their own family's health.

Everyone's heard what the EPA (Environmental Protection Agency) says about air quality inside homes. It can be up to five times more polluted than outside air. That's why it's so important to choose the right ventilation products for the homes you build.

A Full Range Of Solutions For A Full Range Of Problems

Fantech's energy efficient Premium Bath Fans offer a superior alternative for bathroom ventilation. One powerful, remote mounted fan exhausts from multiple small inlet grilles placed throughout the bathroom. Moisture, steam and odors are quickly and efficiently removed from the building structure protecting the home from the devastating effects of mold and mildew.

When a complete whole house ventilation system is desired, Fantech Heat Recovery or Energy Recovery Ventilators provide the perfect solution. The units are designed to bring in a continuous supply of fresh air while exhausting an equal amount of stale indoor air. The improved indoor air quality and the energy savings are an easy sell to your potential customers.

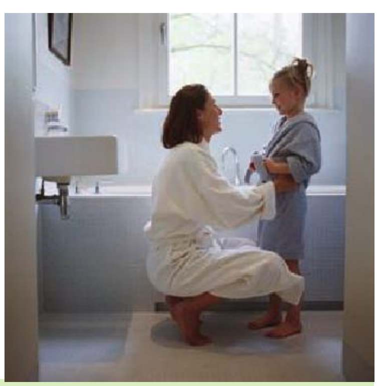
If Radon gas is a problem in your area, Fantech has the ideal solution. For more than 20 years, builders have chosen Fantech Radon Mitigation Fans to keep families safe from the effects of this odorless gas. Our high quality fans run 24/7 year after year.

For more ideas on better ventilation for green building visit www.fantech.net or call 1-800-747-1762.

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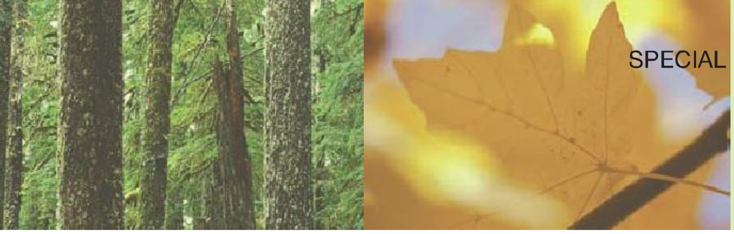


ENERGY STAR





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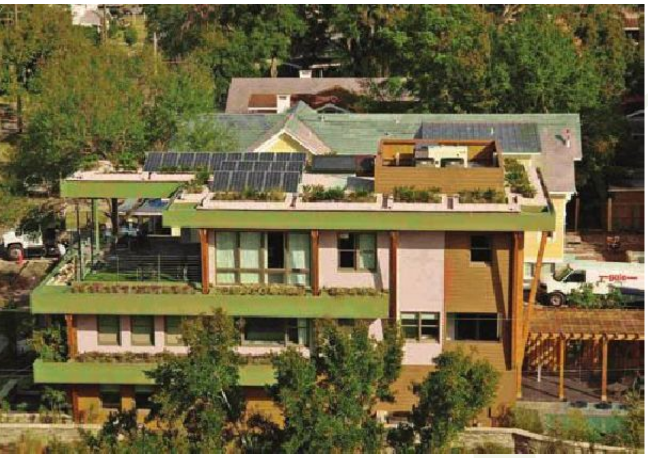


Meeting The Standard: Water Efficiency

Intended to reduce indoor and outdoor water use.

Water is often the forgotten component in green building, yet available water resources are a critical issue in several areas of the country. To address both concerns and deliver a comprehensive approach to sustainable design, construction, and operation, the NGBS dedicates a section to water conservation and efficiency practices and products—from short plumbing runs to tankless, on-demand water heating—that help extend this vital resource without diminishing performance, convenience, or quality... or bursting the budget.





COLLECTION SOLUTION: A rainwater collection system can earn 6 points toward certification, and another 2 credits if that resource is passively distributed to the landscape. This house uses a perimeter collection/irrigation system on its flat roof, directing rainwater to drippers that water planters on its lower levels while collecting excess runoff in an underground cistern.

INSTANT DELIVERY: The NGBS rewards hot water delivery systems that employ shorter runs, manifold controls or parallel systems, and on-demand water heaters that reduce the amount of water in the pipes.



BATH TIME: The standards encourage a comprehensive approach to water use, specifically in the bathroom where low-flow faucets, shower components, and water closets can combine to significantly reduce household water use.



WATER WISE: Americans love their lawns, and the NGBS makes provisions to help ensure that landscaping remains attractive (if also water-efficient) with a smart irrigation system controller and/or soil moisture sensor. Of course, a plan employing drought-tolerant plants requiring no formal irrigation system at all is the ideal solution, water-wise.

In Addition...

Other options within the "Water Efficiency" section of the NGBS include:

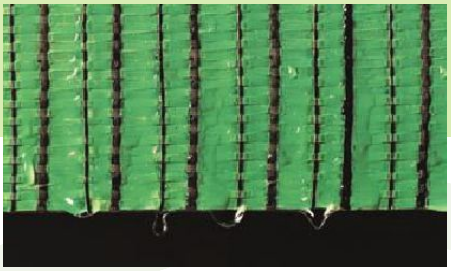
- Grey water separated and reused, as permitted by local building codes
- Irrigation and water closet water derived from onsite reclamation of recycling systems
- A composting or waterless toilet
- Installation of a water leak detection system and excess water flow shutoff


Now GreenSpec Listed
Less cracking.
Less splitting.
Less warping.
Less callbacks.
Ordinary treated wood
Stabilized wood

green building: choices



LOW-COUNT COATINGS: The standards treat volatile organic compounds (VOCs), an agent of ozone, as a primary culprit against healthy indoor air. While VOC emissions generally dissipate within a few days, tighter homes may trap them longer, causing myriad respiratory problems. The good news: today's low and no-VOC paints, primers, and stains perform comparably to their toxic predecessors.



WATER BREAK: Moisture is no friend of healthy indoor air, but previous building practices and products geared to eliminate it from getting into the envelope were futile—and trapped it so it festered into mold and caused other problems. Today's provisions accept that water will get behind the finishes and work to drain and dry it out, namely with water/air barriers designed to facilitate that objective.

Meeting The Standard: Indoor Environmental Quality

Intended to help control pollutant sources toward greater and healthier indoor air and occupant comfort.

Improving and assuring healthy indoor air quality has come to the forefront of green building practices, and is essential to a comprehensive approach. As homes are designed and built to be more energy efficient ("built tight"), it has become clear that they also need to exhaust indoor air ("ventilate right") effectively and regularly to foster a healthy—and sustainable—environment. In addition, recent surveys show that homebuyers value healthy indoor air above all other green building assets, including energy use. A builder who focuses on providing that asset and effectively promotes it in marketing and sales efforts, is likely to reap the benefits.



VENTILATE RIGHT: Builders are required to ventilate bathrooms, clothes dryers, and kitchens (namely the range) directly to the outside with products that are of adequate and verified CFM ratings. Extra points are earned for Energy Star-rated products.

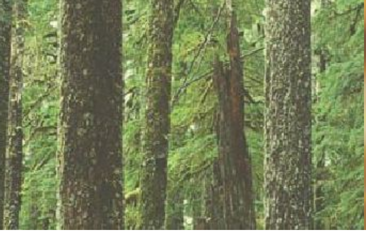
BURN NOTICE: The NGBS encourages sealed combustion units, namely natural gas and propane fireplaces, to be power vented or direct vented with permanently fixed glass fronts or gasketed doors. The same is true with "solid fuel" (read: wood burning) fireplaces and stoves, among other provisions for those units.



In Addition...

Other options within the "Indoor Environmental Quality" section of the NGBS include:

- Detached garages and carports
- Certified non-emitting panel products, including those used for cabinets
- Certified low-emitting carpeting (including pad and adhesives) and wall coverings, among other products and finishes
- Whole-house ventilation, heat recovery ventilator, or energy recovery ventilator
- Passive radon mitigation system
- Central vacuum system (ventilated to the outside)
- Insulated ducts, plenums, and trunks
- Humidity control, if applicable to the home's climate zone





green building: choices

Meeting The Standard: More Information

Turn to the following resources to get more information about the National Green Building Standard:

DRAFT STANDARD:
The latest version of the draft standard, submitted to ANSI for approval, can be viewed and downloaded at **www.nahbrc.org/technical/standards/DraftVersion2.pdf** (see disclaimer below).

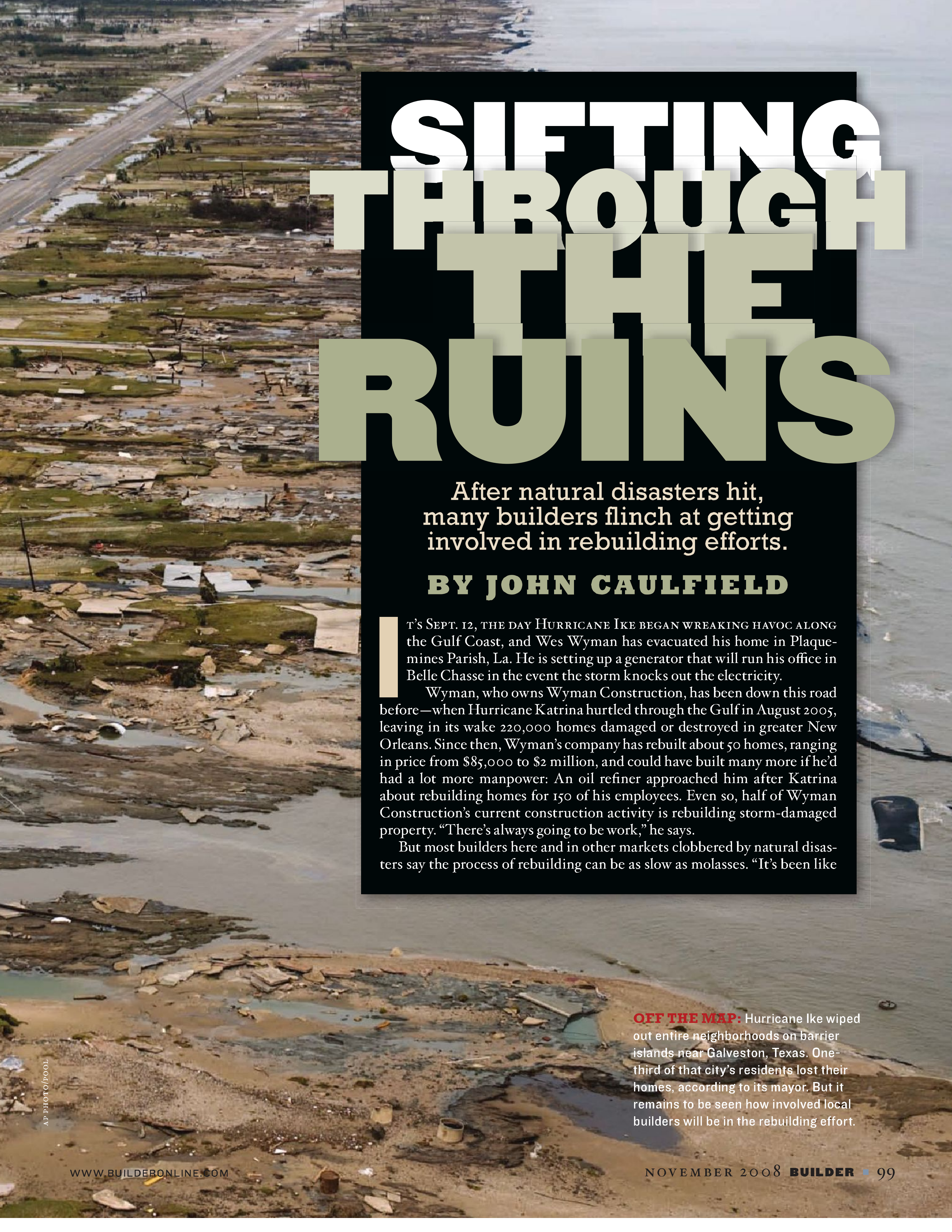
NATIONAL GREEN BUILDING PROGRAM:
NAHB's enabling device, including links to the scoring tool, rating system, and certification details (and soon a registry of certified homes), as well as a directory of certified verifiers, can be found at **www.nahbgreen.org.**

CERTIFIED GREEN PROFESSIONAL (CGP):
Information about NAHB's newest—and by far most popular—professional designation to educate and recognize builders who incorporate green building principles, can be obtained at **www.nahb.org/cgbinfo.**

GREEN DAY AT IBS 2009:
For the second year in a row, NAHB will designate one day of the International Builders' Show (January 20-23, 2009 in Las Vegas) as "Green Day," celebrating and promoting green building and its related programs, education and training opportunities, and exemplary builders. Go to **www.buildersshow.com** for more information.

DISCLAIMER: It is important to note that, as of press time, the National Green Building Standard was still awaiting approval by the American National Standards Institute (ANSI). As a result, the final approved version of the standard may not completely reflect the specifications mentioned here and/or their relative importance to achieving a particular rating or certification.





AP PHOTO/POOL

SIFTING THROUGH THE RUINS

After natural disasters hit, many builders flinch at getting involved in rebuilding efforts.

BY JOHN CAULFIELD

It's Sept. 12, the day Hurricane Ike began wreaking havoc along the Gulf Coast, and Wes Wyman has evacuated his home in Plaquemines Parish, La. He is setting up a generator that will run his office in Belle Chasse in the event the storm knocks out the electricity.

Wyman, who owns Wyman Construction, has been down this road before—when Hurricane Katrina hurtled through the Gulf in August 2005, leaving in its wake 220,000 homes damaged or destroyed in greater New Orleans. Since then, Wyman's company has rebuilt about 50 homes, ranging in price from $85,000 to $2 million, and could have built many more if he'd had a lot more manpower: An oil refiner approached him after Katrina about rebuilding homes for 150 of his employees. Even so, half of Wyman Construction's current construction activity is rebuilding storm-damaged property. "There's always going to be work," he says.

But most builders here and in other markets clobbered by natural disasters say the process of rebuilding can be as slow as molasses. "It's been like

OFF THE MAP: Hurricane Ike wiped out entire neighborhoods on barrier islands near Galveston, Texas. One-third of that city's residents lost their homes, according to its mayor. But it remains to be seen how involved local builders will be in the rebuilding effort.

walking through quicksand," says Marianne Cusato, a designer whose "Katrina Cottages" received considerable fanfare as viable emergency housing after Katrina hit but are only now coming to fruition in Louisiana.

All kinds of factors—government inertia, insurance payment snafus, and assorted other red tape—limit disaster-related reconstruction. Consequently, rebuilding after disasters isn't the economic bonanza for builders that some might expect. "One of the biggest misconceptions is that everyone who comes to a storm becomes a millionaire," says Anthony Johnson, owner of 1st Restoration Group in New Orleans, which has been doing insurance reconstruction for 13 years. "We have one job we did a year ago we're still waiting to be paid for."

Michael Fearn, president of Champagne & Fearn, a builder in Biloxi, Miss., where very little post-storm reconstruction was happening this summer, adds that recent hurricanes have been followed by "a lot of hype," with investors buying and flipping real estate but not much else. He points to a huge master planned community in Stone County, Miss., called Horizon, which broke ground on its 8,000-unit first phase in January 2007. As of mid-September, nothing had been built.

Almost entirely absent from these efforts are production builders; rebuilding on owners' lots is contrary to their usual business model. Builders in California, Florida, Texas, Oklahoma, Louisiana, and Mississippi mostly have stayed on the sidelines when disasters strike, leaving repair and rebuilding work to local contractors and nonprofits. "It's more of a custom environment," observes Steve Doyle, president of the San Diego division of large production builder Brookfield Homes, which did not actively pursue rebuilding projects after wildfires swept through Southern California in October 2007 (see "False Start," page 103).

But smaller builders can be just as ambivalent about diving deeply into the disaster rebuilding swamp. David Dale, whose construction company builds between 12 and 14 vacation homes annually in the Galveston market, remembers when Hurricane Alicia blew through Galveston 25 years ago and took out nearly 6,000 homes. His company had rebuilding work for more than six years after. But Dale told BUILDER a few days before Ike hit that he probably wouldn't alter his immediate construction schedule regardless of how much residential wreckage that storm left behind.

Builders that have embarked on disaster rebuilding are profiles in perseverance. Their experiences are testaments to the haphazard and uncoordinated ways that government and the private sector respond to help people left suddenly homeless by storms, floods, and fires.



TOO HOT TO HANDLE: Homeowner Jay Gray surveys the destruction to his Rancho Bernardo, Calif., home after fires swept through his neighborhood in October 2007. Few local production builders have had much success participating in the rebuilding efforts.

SLOW FIX



A DAY LATE: More than two years after FEMA allocated funding, a pilot program to build 500 affordable Katrina Cottages, like the one above, in New Orleans is finally getting off the ground. But its designer sees guidelines emerging for addressing future disasters.

UPlink // TO LEARN MORE ABOUT LOUISIANA'S PILOT PROGRAM FOR KATRINA COTTAGES, GO TO WWW.BUILDERONLINE.COM/BUSINESS.

MIDWEST MIASMA

On June 11, floods drenched Cedar Rapids, Iowa, causing severe damage to an estimated 1,000 to 3,000 homes. "We went from needing 140 to 200 affordable housing units to between 1,500 and 3,000," says Randy Dostal, whose family owns Thomas Dostal Developers, a local builder that completes about 25 homes per year, ranging from the $200,000s to the $400,000s.

A few days after the flooding, Dostal says his company devised a rebuilding strategy to present to its local HBA, which calls on the 200-plus builders in the area to cooperate and work in tandem. The damaged or destroyed homes average about 825 square feet and were valued at between $100,000 and $110,000. "I haven't built a $100,000 home in 12 years," says Dostal, who asked the city to give builders the lots for free so they can build affordably and still make money. The lots would be behind Cedar Rapids' 500-year floodplain, and the land the homes sit on now would be converted for parks and recreation.

There's no question Iowa is suffering

PHOTO: TOP: BOB MCMILLAN/FEMA NEWS PHOTO

from last summer's floods. The Rebuild Iowa Advisory Council, reporting to Gov. Chet Culver, estimates the cost to rebuild single-family dwellings alone at $856 million. But Dostal told BUILDER in mid-September that the local recovery effort was barely crawling, and that he was having trouble getting local officials' attention. (On Sept. 24, HUD accepted an $85 million disaster-relief plan proposed by Iowa's Department of Economic Development. The state intends to use the federal dollars to restore destroyed or damaged housing, stimulate small business recovery, and repair infrastructure.)

Dostal's plan encountered several major roadblocks. Most owners with damaged houses didn't have flood insurance. Many homes with the worst damage are in poorer communities, and FEMA has capped compensation aid to $28,800 per household (compared with $150,000 per home in New Orleans). Plus, the flooding created extreme mold problems, and Dostal says traces of 400 strains of E. Coli have been found in some basements.

With winter approaching, rebuilding probably won't get started until next year, and Dostal wonders how many owners will eventually return. One family, though, won't have to wait, as Dostal has been working with suppliers and subcontractors to rebuild for free a flood-damaged house owned by a Vietnam veteran raising five children, two of whom are handicapped.

MISSISSIPPI MODULAR

Dr. Randy Nance is a physician who was practicing in Meridian, Miss., when Katrina hit. Within a week, he and 30 volunteers from his local church set up a medical clinic. "On the first day, we saw 200 people," he recalls. But Nance wanted to do more to help Katrina's victims.

So on Oct. 15, 2006, he launched New Gulf Homes, a modular-home builder that assembled its first house 10 months later. New Gulf opened a sales office in Gulfport, Miss., and enjoyed a banner year in 2007, when it sold 31 houses and was named builder of the year by its supplier, All-American Homes. The houses Nance builds range from 900 to 4,000 square feet and cost between $100 and $110 per square foot. "For a while, I was putting up a house a week," he recalls. This year, though, has been a different story. "It's been dead," says Nance, who runs the company with his son, Ryan.

Tighter mortgage lending requirements haven't helped matters in Mississippi. Nor has the prohibitive cost of flood and wind insurance, which could become worse, Nance thinks, if more insurers abandon the area after assessing the damage hurricanes Gustav and Ike have wrought. "There are a lot of people who don't know what to do; their houses are destroyed, and they're just standing there," says Kevin Taylor, who owns Plum Homes, a high-end custom builder in Gulfport. Nance still believes there's opportunity in disaster rebuilding, but for now his company is doing more commercial work and is looking to do more stick-built residential construction. When asked how many homes he'll build this year, all he can say is, "It won't be 31."

> **"One of the biggest misconceptions is that everyone who comes to a storm becomes a millionaire."—Anthony Johnson, owner, 1st Restoration Group, New Orleans**

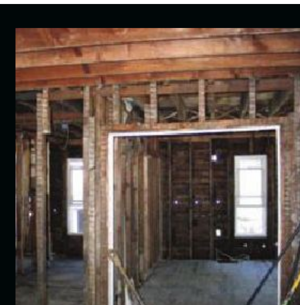
NOT SO BIG EASY

New Orleans' recovery to something approximating its pre-Katrina past in the foreseeable future is in question. A report the Brookings Institution released in August finds that greater New Orleans may have recovered 72 percent of its pre-Katrina households, but nearly 72,000 of the city's 213,700 addresses were still either vacant or unoccupied. Legal ownership of many houses remains in dispute because title records are nonexistent, dubious, lost, or vague.

Residential permits are up over 2007, but builders and local officials say there is a

RISING TIDE: Cedar Rapids, Iowa, was inundated by flooding in June (below), but since then rebuilding has been slow. To remediate severe mold problems, builders are stripping houses to their framing (right, far right).







PHOTOS: BOTTOM: *CEDAR RAPIDS GAZETTE*; INSETS: COURTESY THOMAS DOSTAL DEVELOPERS

wide disparity between permits issued and what actually gets built. Johnson of 1st Restoration Group estimates that between 30 percent and 40 percent of his clients had been cheated previously by unscrupulous contractors.

FEMA's "Road Home" grant program has issued awards to nearly three-quarters of the 330,000 eligible owners whose homes suffered minor to complete damage. But it took two years after Katrina for the first dollars to be distributed, and its funds might not be fully disbursed until October 2009. *The New York Times* reported in August that another federally financed program run through the New Orleans Affordable Homeownership Corp., which had spent nearly $2 million ostensibly to gut and repair storm-damaged homes for the poor and elderly, was a sham.

In such an environment, it's surprising anything gets rebuilt. Yet some here see the city moving in the right direction. "It's been three years, and a lot of progress has been made," insists M. von Nkosi, a housing program executive working with the Mayor's Office of Recovery and Redevelopment Administration. A memo he wrote in May projected that from 2006 through 2008, nonprofits will have rehabbed or reconstructed 5,300 housing units without any city financial support.

So far, the home building industry has played a minor role in New Orleans' rebuilding drama, although some builders have found their niche. Johnson's company has rehabbed about 60 homes since Katrina hit, and his jobs average $60,000. Several of those projects have been nearly complete reconstructions, as he explains that when homeowners leave a portion of the house, like a porch, standing and tear down the rest to be rebuilt, they pay the same taxes as before, whereas a complete teardown is assessed at its current value, which Johnson says often translates into three times the property taxes.

Builders and officials here agree that the decision to disburse grant money to homeowners, instead of through a government agency that would pay contractors when work is completed, was a mistake; a lot of that money never went toward repair or rebuilding. But Johnson remains hopeful because "people who would never have hired a contractor hired them after the flooding. I've seen new roofs on homes that wouldn't have been replaced for another 30 years without the storm."

Jayar Daily also sees "remarkable progress" in New Orleans' recovery, even though "the market seems to be slowing at present." Daily is vice president of Houston-based American Homestar, a modular-home supplier and builder that, through August, had sold and assembled nearly 60 homes in New Orleans. Since March 2007, his company has marketed its homes, which average 1,500 square feet and sell from $160,000 to $180,000, through The Home Depot and has furnished models in the parking lots of two of that dealer's stores.

What Daily is still waiting for, however, is to see how government plans to expand New Orleans' neighborhoods incrementally. "That will require schools, roads, and shopping," he says.





PREFAB SOLUTIONS: Modular home builders have seen demand for their products and services expand in the rebuilding of Gulfport, Miss., where New Gulf Homes (above) has been active; and in New Orleans, where American Homestar displays two of its models in the parking lots of local Home Depots.

PHOTOS: TOP: COURTESY NEW GULF HOMES; MIDDLE: COURTESY AMERICAN HOMESTAR

"We went from needing 140 to 200 affordable housing units to between 1,500 and 3,000." — Randy Dostal, owner, Thomas Dostal Developers, Cedar Rapids, Iowa, who presented an ambitious plan to his local HBA to rebuild homes damaged by flooding in June

NEW CODES EMERGE

American Homestar's houses in New Orleans comply with the higher flood elevations mandated by statewide building codes Louisiana passed after Katrina. And even home builders that aren't involved in disaster rebuilding must adjust to code changes that are the by-product of these climatic catastrophes.

Texas builder Dale says Hurricane Alicia

ushered in the use of ½-inch sheathing around a house and the appearance of field inspectors at jobsites for the first time. When Hurricane Andrew exposed abysmal construction practices, Florida required all builders to be licensed by the state and imposed stricter building standards. Mississippi doesn't have statewide licensing or codes yet, but that hasn't kept builders and owners from going beyond what's required locally. Taylor, for one, is replacing one client's destroyed beach house with a $3 million, 7,000-square-foot home fortified by concrete walls and columns, and 6-inch steel beams supporting the porch.

Doyle of Brookfield Homes says that post-fire building codes in his markets have been upgraded to include enclosed eaves and vents that prevent embers from entering the house. He also notes that builders have won some concessions aimed at fire prevention, such as being able to clear brush up to 150 feet, versus only 30 feet previously. "We're not removing habitat; we're thinning it," so that it's less combustible, Doyle explains.

Building codes, though, are rarely ever set in stone. Johnson of 1st Restoration recently spent $4,500 to make the entrances of a house wheelchair accessible, only to be told later that FEMA no longer requires this. In New Orleans, at least, "the rules keep changing," he says. **B**

FALSE START

Big production builders report few rebuilding successes.

After fires burned 368,000 acres and 1,600 homes in Southern California in October 2007, Hallmark Communities—which hadn't started a subdivision in two years—offered its expertise to homeowners looking to rebuild. The Solana Beach, Calif.-based builder contacted, through direct mail, most of the owners of homes that were burned, expecting to capture at least 200 rebuilding projects.

As of early September 2008, Hallmark was rebuilding only three homes. Its CEO, Mike Hall, has several explanations why: Insurance companies were taking longer to settle claims than they did after earlier fires. And the housing economy is so bad that builders from all over the state descended upon Southern California. "I know of a pool installer that's building two homes, and a remodeler who's building three," says Hall. Hallmark lost jobs to contractors that were recommended to homeowners by friends, family, and, in one instance, a supermarket cashier. The fact that Hallmark told owners it would take 11 months to rebuild their houses put it at a competitive disadvantage against contractors who promised a quicker turnaround, even if they couldn't realistically deliver it.



BLOWBACK: A tornado ripped the roof off of this house in Moore, Okla., in May 2003. Twisters are common in Oklahoma, but far less so in its cities.

ANDREA BOOHER/FEMA

Stories such as Hallmark's have kept production builders from getting into rebuilding after floods, storms, and fires. "I would be very surprised if you found a lot of builders that were tearing down [damaged] homes and putting up new ones as a business strategy," says Donna Reichle, vice president of media and public relations for the NAHB.

"It's just easier to build on a greenfield," observes designer Marianne Cusato, "and those developments have formulas to them. When you're dealing with owners with their own lots, it becomes more difficult." That's certainly what Brookfield Homes discovered after the 2003 fires in Southern California. Steve Doyle, president of Brookfield Homes' San Diego division, notes, too, that local jurisdictions won't "bend the rules" to make rebuilding more palatable to merchant builders. ("Ridiculous" is how he describes the number of roof planes some towns require.)

Oklahoma gets hit by 175 tornados, on average, every year. But they strike all over the state, and usually not in urbanized areas, says Vernon McKown, president of Norman, Okla.-based Ideal Homes. Even when tornados tore through Oklahoma City in 1999, damaging or destroying more than 3,000 homes, McKown says most production builders got involved in rebuilding only peripherally. Many owners simply took their insurance checks and bought homes outside of the tornados' path. These owners sold their lots to builders such as Ideal, which picked up between 30 and 40 lots for about $30,000 each, McKown recalls. He also remembers how "nonprofessionals" and speculators swarmed into Oklahoma City and nearly doubled its inventory of houses, to a 10 months' supply. "It took a year to get back to normal," he says.

Even production builders that want to get into disaster rebuilding have encountered roadblocks. A deteriorating national housing market and the lack of available land undermined KB Home's ambitious joint venture with The Shaw Group to build tens of thousands of homes in Louisiana's Jefferson Parish. Last May, Melbourne, Fla.-based Holiday Builders pulled out of a development in Mississippi called Beaver Dam, where it planned to build nearly 400 homes, because the developers couldn't get the lots ready to meet Holiday's schedule. "We were supposed to start in late 2007," says Ron Tuttle, president of Holiday's Gulf division. "It's disappointing, because we thought there would have been a pretty good market for the kinds of homes we were going to build."

Toni Wendel was president of the HBA of Greater New Orleans when Katrina hit. She says her members that have wanted to do more rebuilding haven't had much luck working with nonprofit groups that organize most of that work. (She's hoping the HBA's new emphasis on green building will make members more attractive as rebuilding partners.) Her own company, Olde World Builders and Remodelers, got into disaster rebuilding out of her interest in historic restoration. One of the seven post-Katrina rebuilding jobs it's been working on is a 7,000-square-foot home in New Orleans' Garden District that was badly damaged by flooding and had its roof parapet blown off. Originally, the owner hired Olde World before Katrina hit to remodel the kitchen. Wendel says that, excluding that remodeling, the total rebuild will run $1.5 million.

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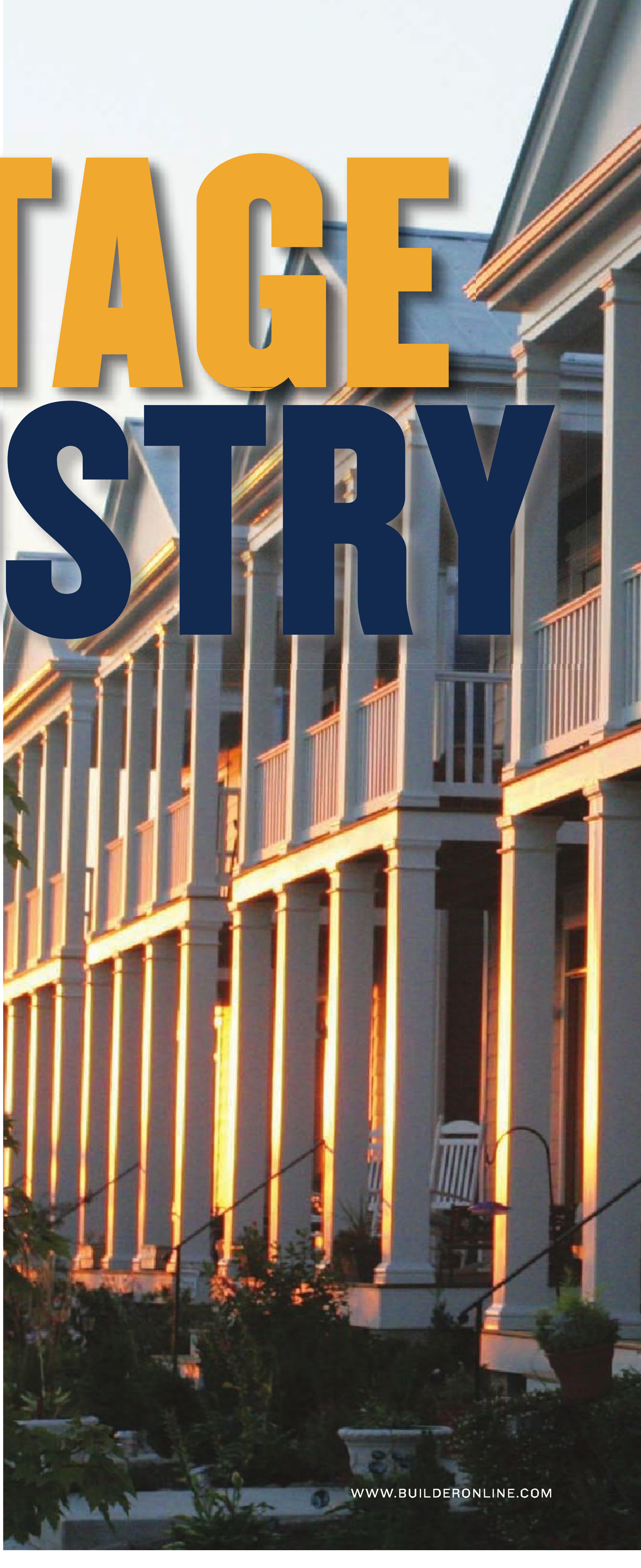
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COTTAGE INDUSTRY



Small houses sell when they offer three things: well-designed space, the right price, and a distinct sense of place.

Small, modestly priced new homes are gaining popularity points, and it's easy to understand why. Tighter lending standards have left buyers able to afford less. The threat of higher energy prices and concerns about global warming have tempered their willingness to pay for conditioned space they don't use. Teardown ordinances in desirable neighborhoods are capping heights and floor-area ratios as a pest control measure against McMansions. And the average American household is shrinking as more homeowners enter their retirement years, get divorced, delay having kids, or choose not to marry. Census data released last month indicates that singles living alone account for 27 percent of all U.S. households.

But placing the new small home in the right context is important, in that the surrounding neighborhood often must make up for whatever wiggle room the house gives up on the inside. Builder looks at four settings where small detached, single-family homes are in tune with their environments and thriving.

COURTESY WHITTAKER HOMES

BY JENNY SULLIVAN



SMALL TIME: Cottages are a cohesive element in the master plan for New Town in St. Charles, Mo., a community designed by DPZ and built by Whittaker Homes.

Single Serving

The setting: **Infill pocket neighborhood**

Few in the building industry had ever heard the term "pocket neighborhood" before Seattle architect Ross Chapin began garnering awards left and right for a succession of pint-sized projects that have since become icons of the small-house movement. The pocket concept, which orients a handful of cottages around a central green, has won acclaim not only for its "small is beautiful" philosophy, but also for demonstrating efficient uses for tiny land parcels that most developers consider unusable.

On the sales front, the prototype has struck a chord with certain buyer groups—particularly single women and retirees—who want the privacy and autonomy of a detached home, coupled with the security that comes from having neighbors close by, Chapin says.

One of the most recent pocket neighborhoods to take root in the Pacific Northwest is Spring Valley, a cluster of 10 BuiltGreen homes on one acre in the historic seaport of Port Townsend, Wash. Bordered by an apartment complex for seniors and an Alzheimer's care facility, the boutique project opened for presales in 2007 and is now half sold. Three of the units, which range in size from 600 to 1,200 square feet, were purchased by single women.

"Port Townsend is located at the end of a peninsula and is not an affordable place," says builder and master carpenter Fred Kimball, whose company, Kimball & Landis, did custom cabinetry for several Chapin projects before teaming up with the architect to create two pocket neighborhoods from scratch (Umatilla Hill, their first joint venture, is now sold out; Spring Valley is the second). "You can hardly buy a building site for less than $100,000 here."

That leaves a pretty slim margin on a product for which the starting sales price is $200,000. But the math works, Kimball says, because the building forms are simple. All of the homes are boxes, more or less, built on a 4-foot grid (24 feet wide by 32 feet long) without complicated rooflines or bump-outs. What makes them special—and irresistible to one- or two-person households—is that they are outfitted with the kind of trim detailing and millwork you'd normally find only in a larger custom home.

"There's a big advantage to having a cabinet shop attached to our business," Kimball says. "We can prefabricate a lot of things ahead of time, but then roll with the minor differences between buildings. And we've realized some cost [and time] savings through repetition and using the same cast of characters [subcontractors] every time."

LESS IS MORE: Spring Valley puts 10 cottages (the maximum density without an easement) on an acre formerly occupied by an old farmhouse. The site is 100 feet from a bus stop and eight blocks to a grocery store.





PHOTOS: COURTESY ROSS CHAPIN ARCHITECTS



Little Feat

MAGIC NUMBERS: SRG Homes owns more than 150 scattered lots in historic Springfield. Its next infill move: bungalow enclaves.

The setting: **Urban historic district**

When times were good, SRG Homes was building mostly two-story infill residences amidst the venerable colonial revival, stick style, and Mediterranean homes of Jacksonville, Fla.'s historic Springfield neighborhood.

But when the market shifted, CEO Mack Bissette found himself dusting off a smaller, single-story bungalow plan in his portfolio and giving it a facelift. He kept the charming clapboard exterior and 1,200-square-foot envelope, but knocked out non-structural walls to open up the interiors (a move that not only reduced construction costs, but also improved cross ventilation and natural lighting), allocated more square footage to bathrooms, and added a few choice goodies such as landscaped patios and dual-head showers.

"We [saw] a lot of people selling their larger historic homes and moving into cool loft spaces around town that were anywhere from 900 to 2,000 square feet," says Realtor Chris Donovan, who handles sales and marketing for SRG Homes and bought one of the first bungalows for himself in July.

Quaint and yet contemporary, the little houses are now vying to grab a piece of that market by offering perks that lofts don't such as larger closets, private outdoor space, and freedom from shared walls—bundled with the traditional details you'd expect to find in a historic district such as crown molding and brick porch columns. And starting at $205,000, they're affordable.

Of course every historic district has its idiosyncrasies, and approvals for the diminutive bungalows have come with a twist. Whereas most infill projects must adhere to strict height limitations (established to prevent new houses from dwarfing older homes), the opposite rules of scale applied here. Permits for the first few bungalows were granted only on lots with sight lines extending to other single-story homes in the neighborhood to ensure the new kids on the block wouldn't look too puny in comparison with some of the two-story residences built between 1890 and 1920. *(see page 110)*



PHOTOS: COURTESY CHRIS DONOVAN/EXIT REALTY



Social Scene

The setting: **New Urbanist small town**

Sometimes small houses in groups become greater than the sum of their parts. This couldn't be truer at New Town, a New Urbanist village built by Whittaker Homes in St. Charles, Mo., where cottages ranging in size from 1,024 to 1,760 square feet are essential threads in the community fabric. Crisp siding and welcoming porches give the homes an all-American appeal that's hard to resist, but collectively, they also serve a larger purpose.

Consider first their location (the urban planners of New Town did). In a site plan that places the densest housing types—live/work units, row homes, and residential over retail—at the core and then spreads out, the cottages serve as hyphens connecting the town's bustling center to its outer periphery of lower-density, single-family homes.

Intimate in their groupings, the little houses also serve as social connectors, helping to create opportunities for neighborly interaction. Some are oriented around courts with detached garages off to the side, while others are aligned in neat rows to activate street edges. In one case, a span of six identical cottages serves as the backdrop for a triangular civic green and amphitheater that hosts live performances in spring, summer, and fall.

"We've actually abolished monotony codes [which mandate variety in elevations that are next to each other] so we can get away with these kinds of moves," says Tim Busse, vice president of architecture for Whittaker Homes, who also serves as town architect. Monotony codes, he argues, can result in streetscapes that look too forced in their perfection, "whereas six houses painted the same color in the right location become a memory point."

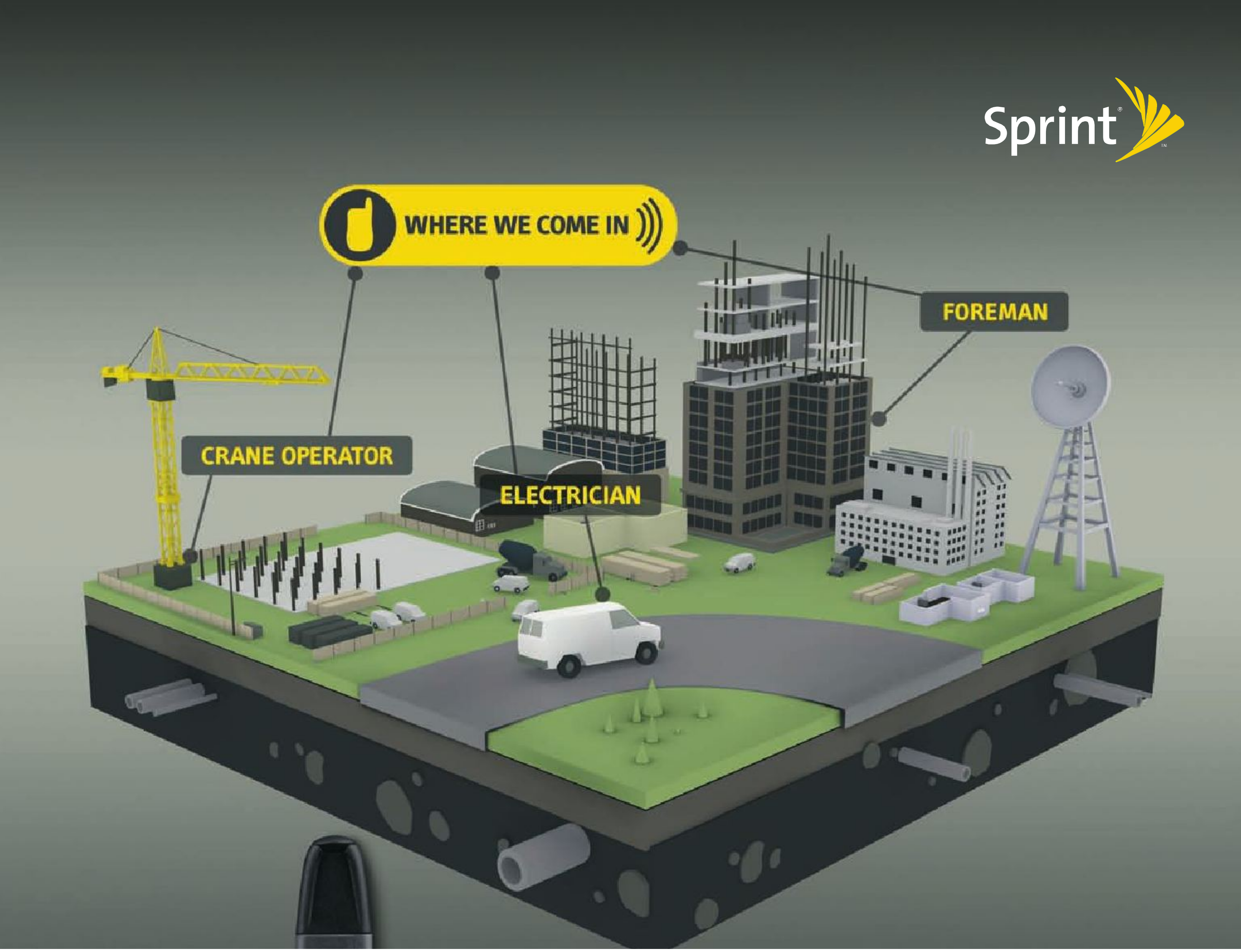
Architecture aside, the cottages have also made the housing mix—and, by association, the town population—more diverse. The smaller units (particularly those under 1,300 square feet, with prices starting at $159,000) have been popular with what Busse calls "transitional" home buyers—singles who are recently divorced, young couples just starting out, or individuals who recently relocated due to a job transfer.

The unqualified success of these small homes (nearly 100 cottages have been built and sold since the town's groundbreaking in 2004) has now led the builder to experiment with several variations on the theme. New Town's newest crop of small homes includes duplexes inspired by the New Orleans Garden District; single-story, 900-square-foot cottages for seniors in a village-type setting; and a stretch of tall, skinny detached homes (16-foot-wide structures on 23-foot-wide lots, separated by gardens) modeled after city homes in Charleston, S.C. *(see page 112)*



CUTE ON A BUDGET: Cottages in New Town are value-engineered with concrete stoops, cropped overhangs, and a simplified window schedule (three sizes only) to keep costs down.

PHOTOS: COURTESY WHITTAKER HOMES



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DEGREE IN ECONOMICS: Designed for maximum ergonomic and energy efficiency, McNeill Burbank's floor plans have no dead spaces. Traditional exteriors are clad in durable, earth-friendly fiber-cement siding.

Live and Learn

The setting: **Master plan in a college town**

College towns tend to be progressive by nature, and Briar Chapel, a 1,589-acre TND by Newland Communities in Chapel Hill, N.C., is continuing that tradition. Located just around the corner from a trio of powerhouse schools (University of North Carolina, Duke University, and North Carolina State), the town is giving area residents a lesson in sustainability.

Its master plan incorporates tree preservation, stormwater management, wetlands protection, native landscaping, and 900 acres of open space with miles of walking trails, boardwalks, and bike paths. Natural construction debris (such as wood and granite slab derived during site grading) is pulverized to make roadbeds and mulch. Roadways are designed to preserve the natural beauty of the setting and to maximize tree canopies for native birds.

That same "waste not" ethos applies at the house level as well. All homes at Briar Chapel are built to rigorous North Carolina Green Build Initiative standards to maximize energy efficiency, indoor air quality, and water conservation. That includes two collections of reasonably priced (starting at $210,000) and exceedingly pretty cottages by McNeill Burbank Homes, a subsidiary of regional builder Saussy Burbank. The smallest cottage clocks in at 1,500 square feet.

Outfitted with air-tight ventilation systems and high-efficiency appliances and fixtures, the cottages are super energy savers, but one of the greenest things about them is their size, says Joe Robinson, a project manager for McNeill Burbank.

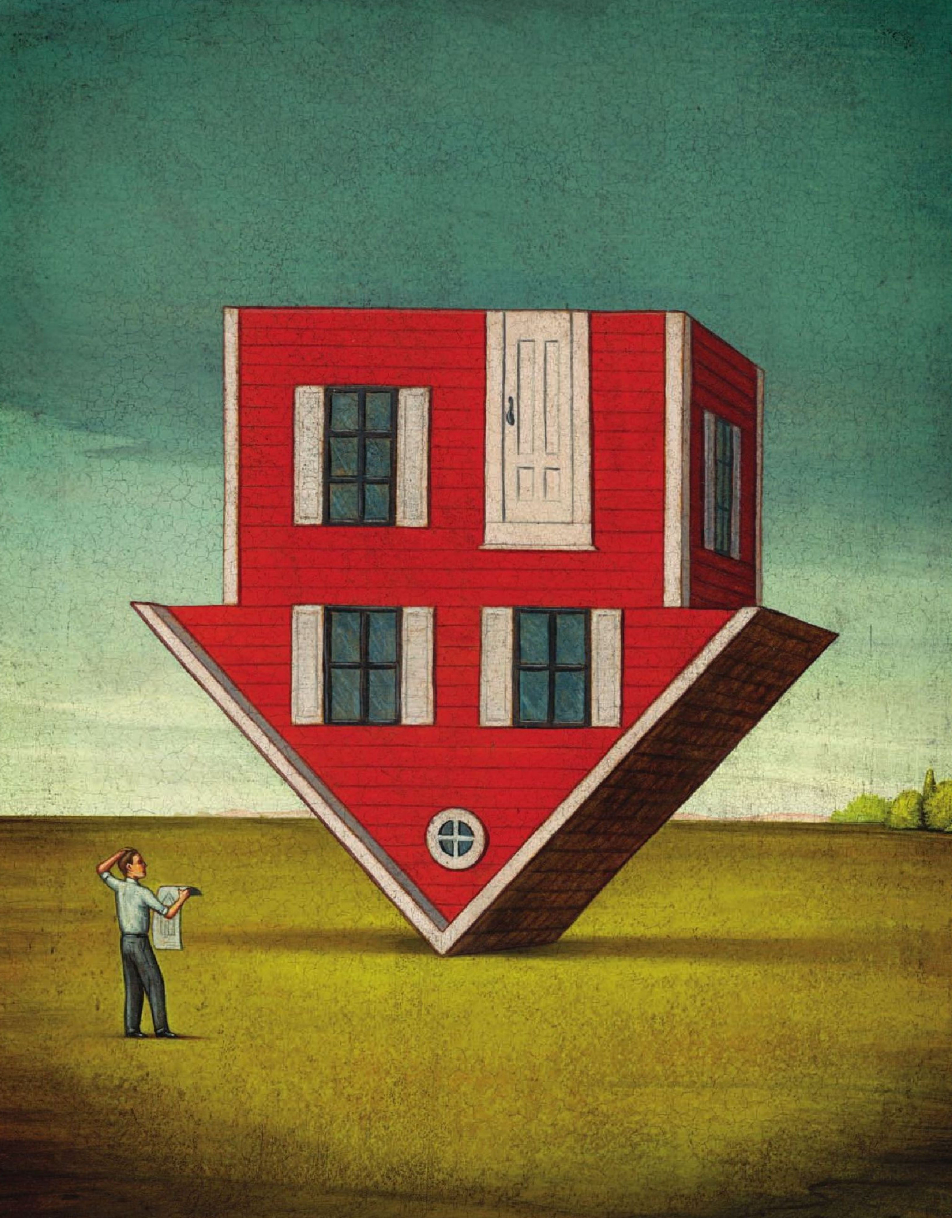
"We build homes that are well-designed and right-sized," he says. "That in itself is sustainable. If a home is built with integrity and character, then 100 years from now the owner might tear out the kitchen countertops or remodel a bathroom, but it's less likely the entire home will be razed [and sent to the landfill]."

It's a philosophy the builder hopes will resonate with design-conscious, budget-conscious, environmentally conscious buyers including professors, graduate students, and health-care workers from nearby universities. Presales for the first offering of cottages began in May of this year, and so far seven have sold.

The community officially opened in late September, and buyers thus far seem to be appreciating its light imprint and not-so-big lifestyle. Plus, there are plenty of bonus amenities to love at Briar Chapel including courses, workshops, and lifelong learning programs created in partnership with the academic institutions next door—to keep minds fertile and open to new ideas. **B**

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PHOTOS: COURTESY MCNEILL BURBANK



AS WINTER ARRIVES, MANY BUILDERS FIND THEMSELVES AT THE MERCY OF INCREASINGLY DESPERATE LENDERS, THEIR COMPANIES ...

UPSIDE DOWN

BY BOYCE THOMPSON ■ ILLUSTRATIONS BY MARC BURKHART

Three years into the worst housing downturn since the Great Depression, three dozen major builders have declared bankruptcy. Yet for every builder that has gone under, hundreds more are on life support, hanging on only because their lenders choose to look the other way.

"I know many cases where builders imploded a year and a half ago, and they are still working out their problems with banks," Doug Yearly, a regional president of Toll Brothers, said at an investment conference in September. "Lots of builders are hanging on by their fingernails," adds Joel Shine, the former president of CityView, which works with builders to provide workforce housing, "and banks are letting them hang on by their fingernails. That's not going to end well."

Nearly everyone in the industry knows someone who remains in business, struggling mightily to generate enough cash to pay off debt and fund operations, only out of the good graces of a lender. From a financial perspective, these companies are upside down, without *(see page 118)*

the assets to pay off their debts. As we move into the winter months, with builders and lenders both starved for cash, the pace of builder liquidations and bankruptcies is likely to markedly increase.

Apocalyptic forecasts, made early in the downturn, that industry ranks could be trimmed by at least 50 percent may well come true. Housing analyst Ivy Zelman of Zelman & Associates believes that the current debt crisis may push that figure as high as 75 percent. "As more and more banks are forced by regulators to clean up their balance sheets," she says, "private builder failures will accelerate. Even well-performing builders will struggle to obtain financing to move forward with projects."

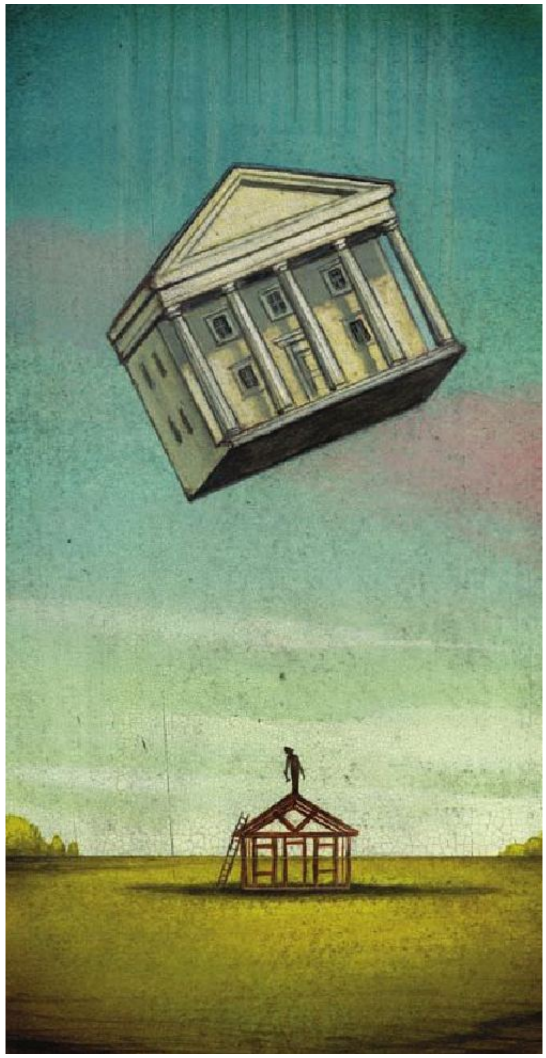
Many builders have quietly wound down their operations to avoid bankruptcy, selling off land and unfinished homes to investors. Some, such as Houston's Royce Homes and Taylor-Morley of St. Louis, attracted considerable attention in the process. Others remain in pitched battles with bank workout departments.

The banks, of course, would like an immediate repayment in full of loans they've made. But most builders don't have the money, or the inclination, to do this, especially if they have gone to outside equity for funds, and those equity sources are looking for a 20 percent to 25 percent return.

"That leaves the banks with only three choices," says one builder who has been negotiating with his banks for more than a year. "They can foreclose and pursue any guarantees, which is likely to put the builder out of business. They can continue funding the build-out of the neighborhood with the hope of maybe getting full repayment or minimizing their losses. Or they can accept a discounted repayment of the debt."

Most builders faced with this situation would prefer to build their way out of the mess. They would like to get the financing to build another project, or complete the ones they started. But throughout the country, banks have virtually shut off the AD&C spigot. "There's no debt available," confirms Jack Haynes, executive vice president of builder loans for Countrywide Home Loans. "The only way to finance deals is with equity through institutional sources, and that's a very expensive option."

"Many builders are just hanging on," says Bob Rivinius, president and CEO of the California Building Industry Association in Sacramento. "Most builders have had staff reductions of 50 percent to 80 percent. I've been through four home building recessions in my career, and this is by far the worst. This year will see the lowest level of housing production in California since World War II."



DEBT CRISIS MAY TIP THE SCALES

The current banking liquidity crisis may be the event that finally forces lenders to call loans that they've forgiven for years. In the early part of the housing recession, bankers say they wanted to foreclose on nonperforming loans, but they couldn't find buyers for them. So they decided instead to be accommodating and work out loans, hoping that builders would have a successful 2008 spring selling season. When that didn't materialize, some banks began to aggressively foreclose, trying to cut their losses.

Unless government attempts to free credit prevail, banks may shift their foreclosure efforts into overdrive. "We can no longer afford to ignore credit defaults," says one prominent banker to builders. "A year ago, we may have looked the other way and ignored a default, and we lost a lot of money as a result. Now, we're asking ourselves, 'If we continue to do that, are we going to lose everything?'"

Adding to the difficulty facing builders, roughly three-quarters of the big banks want to get out of the real estate business, says John Burns of John Burns Real Estate Consulting, who has worked with more than two dozen banks this year on workouts with builders. Burns notes that one major bank recently announced that it lost more money on real estate loans in the past year than it made in the previous seven years. "When they ask the builder for their debt back, the builder says, 'If you give me another $2 million to finish the project, I'll give you $4 million at the end.' The bank says, 'No, you don't understand. We want to get out of real estate lending.'"

A big part of Burns' job is to modify lender expectations. "After examining their portfolio of bad loans, banking executives may start with bravado, saying, 'let's blow this out and take a 10 percent haircut.' Their attitude changes when I tell them it's really a 70 percent haircut. Then the question becomes whether the bank wants to work with the builder. If they force the builder into bankruptcy, they may get back only 50 percent. If they work with the builder, they may get back 70 percent."

Builders can expect a long winter of workouts and banks pushing to improve terms. If banks don't remargin loans, they will ask builders to pay a little more, agree to a wider spread, or tighten a loan covenant. But if the asset is severely impaired, and the builder won't work with them, lenders have few options except to call the loan. Some, though, may not insist on new underwriting, because they don't have the manpower or the capital to take back too many loans.

The builders most likely to persevere are the ones who have been transparent with their banks, says Shine. "The bucket of borrowers that are good operators and have been up front and honest with the bank will continue to get extensions as long as the regulators *(see page 120)*


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let the bank keep in the deal, and as long as the builder's business plan is reducing the bank's exposure. The bucket of borrowers that the bank perceives as being either less than 100 percent up front with them or less than 100 percent qualified to deal with the problems are going to get loans called."

Long-standing private builders with plenty of equity, or "dry powder," in their operation, and nonrecourse revolvers, are also likely to survive. They are in a great bargaining position when their bank wants to reduce their loans and asks for an equity contribution, says Haynes. "Those are the builders who may just hand the property back to the bank," he says. "They may work through some other projects and come out of it OK with plenty of dry powder for the next campaign."

Moody's Economy.com, the ratings firm, believes that builder fatalities are likely to increase going into next year. The problem, as Moody's says in a recent report, is that even if the Treasury's plan to buy bad assets bolsters the banks, home builders must write down landholdings to distressed market values, pay down debt, and build their equity and cash positions. "Absent these steps—or despite them—we believe that some home builders will not survive," Moody's said, adding that "we don't expect the overall housing market to show any significant improvement until at least 2010."

Private builder landholdings, of course, are the ticking time bomb. In several recent sales to investors, public builders have unloaded land for 20 to 25 cents on the dollar, compared with peak-market prices. Many builders are convinced that raw land has no value in many markets today, when you consider what it would cost to develop, and what you could ultimately get for homes. Yet many banks still haven't forced private builders to write down their land assets to current values and cough up equity to make up the difference.

"There is no way to stave off the builder crisis," adds Shine. "The combination of losing money, shrinking demand, and the evaporation of the debt market has already taken its toll and will continue to do so for a while. There will be a lot less builders at the end of this cycle, and, sadly, I do not see anything that Washington can do to completely solve this."

PRESSURE ON THE BANKS

The situation for builders could have been even worse had the government not acted to shore up the banks and court buyers for struggling institutions. But it's too early to tell what will happen to builder loans in the wake of J.P. Morgan's purchase of Washington Mutual and Wachovia's takeover by Wells Fargo. Likewise, it will take months, maybe even years, for the $700 billion the Treasury plans to spend to buy up bad mortgage-related and other assets to work its way through the financial system. "It will be injected and absorbed slowly," says Countrywide's Haynes.

> **"The potential for consolidation is huge. The potential loss of private builders is beyond my wildest imagination."—Tim Eller, chairman and CEO, Centex Corp.**

Meanwhile, bad builder loans are popping up with alarming frequency on the economic radar. Bank of America Corp., the biggest U.S. consumer bank, told investors in New York last month that more than half of its $13.4 billion in builder loans are considered troubled, though builder loans account for less than 4 percent of its total portfolio. Brian Moynihan, head of the global corporate and investment banking unit, said that 19 percent are not paying interest, adding that losses are likely to mount. "It's not pretty" is how Moynihan described the situation.

Second-quarter data from the FDIC, which tracks real estate and development loans held by banks, show that 8.1 percent of construction and development loans were delinquent, triple the rate from a year ago. "While troubled loans are increasing across all types of loans, residential mortgage loans account for the largest share of the increase, and construction loans are the fastest-growing category," said Sheila Blair, FDIC chair. FDIC-insured commercial banks currently hold $3.6 trillion overall in real estate loans, and $559 billion specifically in construction and development loans.

Many banks that traditionally lent money to builders now find themselves on a government watch list. The FDIC's list of problem banks numbers 117, up from 90 the previous quarter. The majority of the new problem institutions have a concentration in construction and development loans, say FDIC officials. Many of them are regional banks, which on a percentage basis have a bigger exposure to real estate. Banks socked by delinquencies must typically hoard money against losses and curtail new lending.

Analysts say that mid-size community banks are the most likely to fail during major economic downturns. Though the scenario hasn't materialized yet in many places, if it does, these banks will do whatever they can to collect, even call loans that they know will cause builders to fail.

MEASURING THE FALLOUT

Some markets have been more hard-hit than others. When the housing industry first began to turn in Atlanta in mid-2006, there were roughly 2,400 builders in the market. By the end of this year, estimated one local banker at a recent investment conference, half of them will be left standing. Already, local powerhouses such as Robert Harris Homes and The Macauley Cos. have gone out.

Phoenix is another market with a high casualty rate. Industry veteran George Casey believes that many of these firms started in the '90s without a proper understanding of the kind of capital structure they needed. "Home building and land businesses need to be capitalized differently," says Casey, who works for DMB Associates. "You need a source of long-term debt to operate as a land developer. It's the poorly capitalized builders that are going out of business."

Burns believes that overhead expenses will do in a lot of builders. Many public builders are reporting SG&A (selling, general, and administrative expense) running from 15 percent to 20 percent, when 10 percent used to be closer to the norm. Some of the private companies he's worked with have overhead expenses that are closer to 40 percent. It's hard to make those numbers work with two sales per month, he says. "That will kill you. It's overhead that will bring these builders down."

When Tim Eller, chairman and CEO of Dallas-based Centex, surveys the private builder landscape in the markets in which Centex operates, he sees a lot of carnage and more on the way. "The potential for consolidation is huge," says Eller, adding that Centex is reconsidering its decision to leave some markets, because very few large competitors are left. "The potential loss of private builders is beyond my wildest imagination." **B**

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HOUSEPLANS

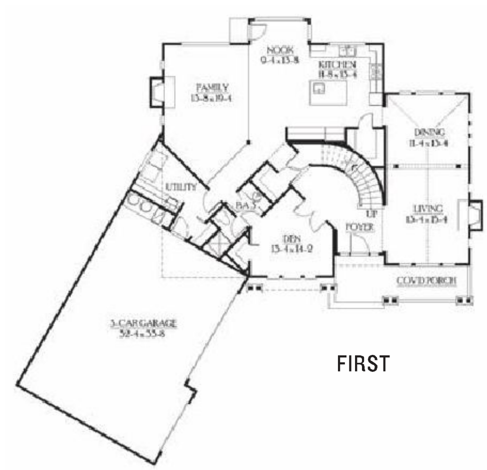
FEATURING NEW PLANS FROM THE NATION'S LEADING DESIGNERS



CORNERSTONE DESIGNS, LLC

First Floor: 1,733 sq. ft. ■ **Second Floor:** 1,192 sq. ft. ■ **Total:** 2,925 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 ■ **Dimensions:** 73' - 9" X 72' - 6" ■ **Foundation:** Crawlspace

The shingle and column details, along with a covered front porch, give this Craftsman home tons of curb appeal. To the left of the dramatic two story foyer, a den offers light filled space for relaxation, and to the right, a connecting living and dining room. The large family room is ideal for informal entertaining, while an open kitchen has a breakfast nook with access to the back deck and dining room. Upstairs, the spacious master suite features two walk-in closets and a dual vanity sink. Three additional bedrooms upstairs share a full bath.



FIRST



SECOND

PLAN # HWBI010001 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735

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PLAN # HWBI010002 ■ **5-SET** $795 ■
8-SET $855 ■ **REPRO** $1,065 ■ **CAD** $1,815

Main Level: 1,630 sq. ft. ■ **Second Level:** 1,460 sq. ft. ■ **Lower Level:** 130 sq. ft. ■ **Total:** 3,220 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 40' - 0" X 55' - 6" ■ **Foundation:** Crawlspace



MAIN

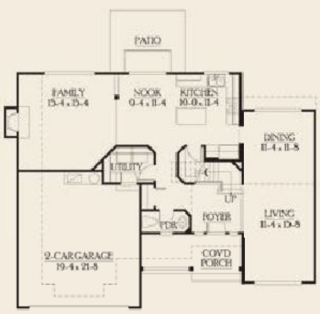


SECOND

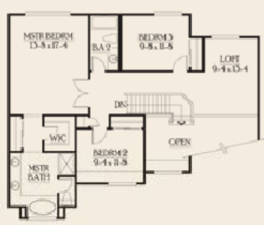


LOWER

First Floor: 1,085 sq. ft. ■ **Second Floor:** 1,045 sq. ft. ■ **Total:** 2,130 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 48' - 0" X 38' - 0" ■ **Foundation:** Crawlspace



FIRST



SECOND



PLAN # HWBI010003 ■ **5-SET** $740 ■
8-SET $810 ■ **REPRO** $1,000 ■ **CAD** $1,735



First Floor: 1,281 sq. ft. ■ **Second Floor:** 1,284 sq. ft. ■ **Total:** 2,565 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 52' - 0" X 38' - 0" ■ **Foundation:** Crawlspace



FIRST



SECOND

CORNERSTONE DESIGNS, LLC

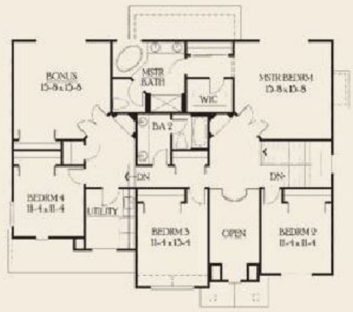
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PLAN # HWBI010004 ■ **5-SET** $740 ■
8-SET $810 ■ **REPRO** $1,000 ■ **CAD** $1,735

First Floor: 1,275 sq. ft. ■ **Second Floor:** 1,705 sq. ft. ■ **Total:** 2,980 sq. ft. ■
Bedrooms: 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 52' - 0" X 46' - 0" ■
Foundation: Crawlspace



FIRST



SECOND

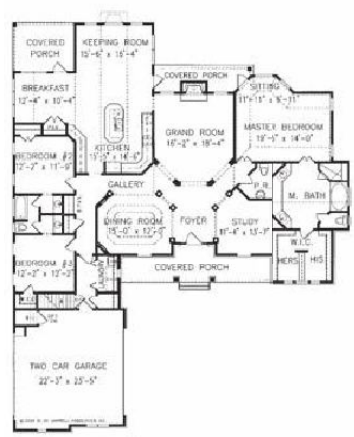


PLAN # HWB1010005 ■ **5-SET** $740 ■
8-SET $810 ■ **REPRO** $1,000 ■ **CAD** $1,735



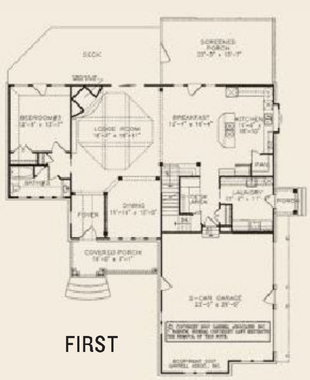
PLAN # HWB1010006 ■ **5-SET** N/A ■
8-SET N/A ■ **REPRO** $1,543 ■ **CAD** CALL

Square Footage: 2,807 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■
Dimensions: 68' - 0" X 83' - 9" ■ **Foundation:** Unfinished Walkout Basement





First Floor: 1,675 sq. ft. ■ **Second Floor:** 1,196 sq. ft. ■ **Total:** 2,871 sq. ft. ■
Bedrooms: 3 ■ **Bathrooms:** 3 ■ **Dimensions:** 60' - 8" X 56' - 0" ■
Foundation: Unfinished Basement



FIRST

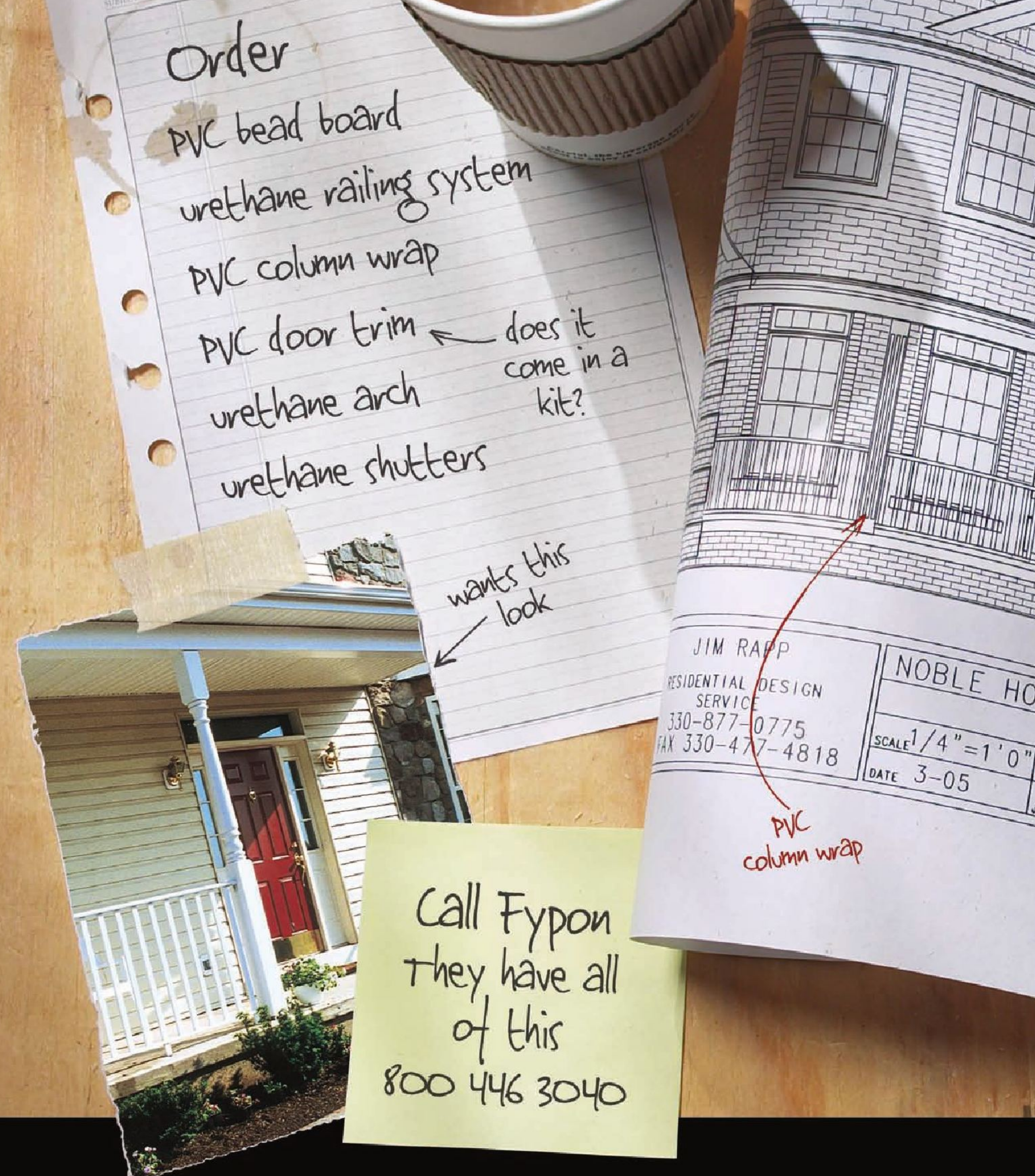


SECOND



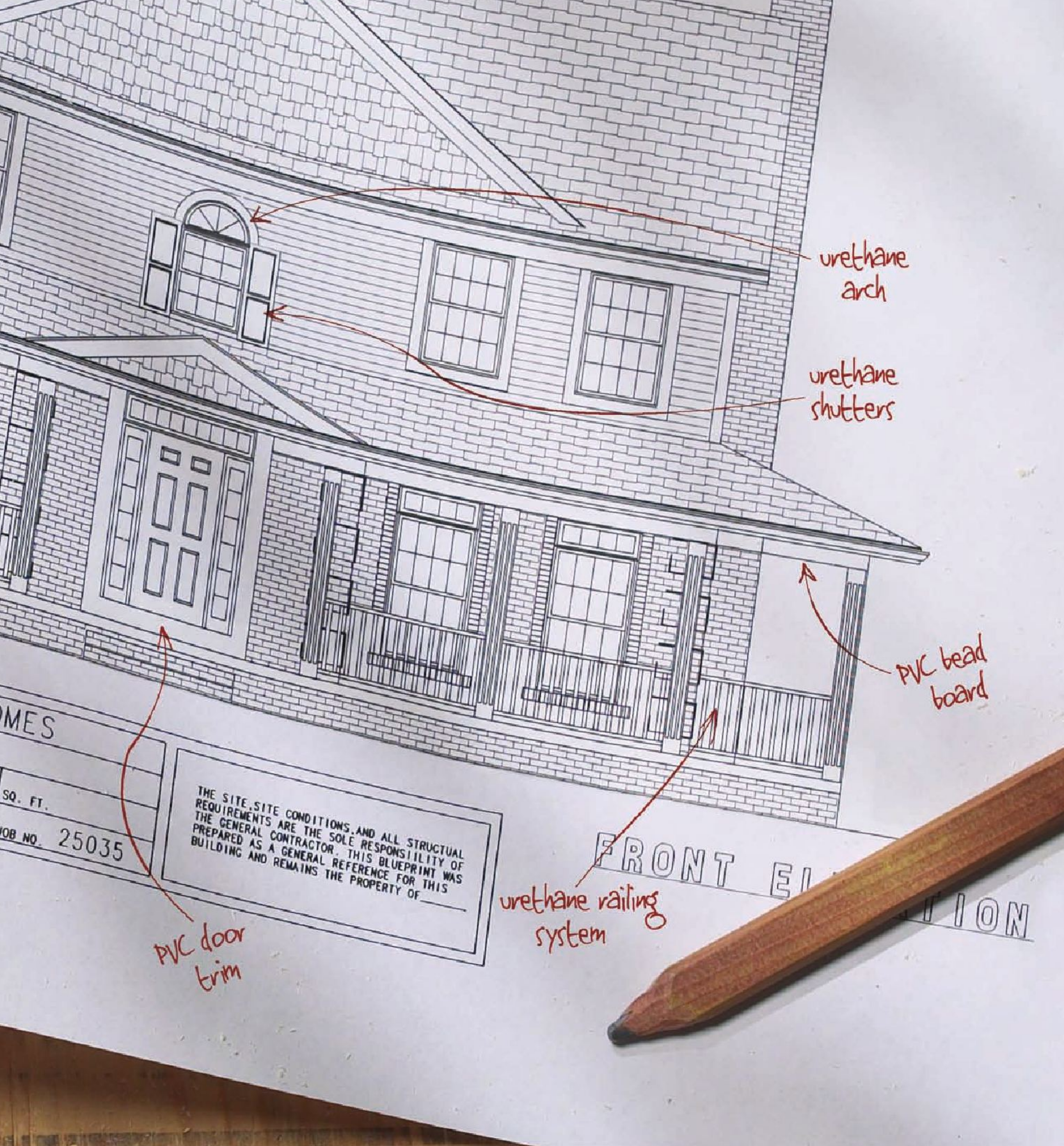
PLAN # HWB1010007 ■ **5-SET** $685 ■
8-SET $750 ■ **REPRO** $935 ■ **CAD** $N/A

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PLAN # **HWB1010008** ■ **5-SET** $845 ■
8-SET $910 ■ **REPRO** $1,145 ■ **CAD** $1,915

Square Footage: 2,275 ■ **Bonus Space:** 407 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 $^{1}/_{2}$ ■ **Dimensions:** 59' - 4" X 69' - 0" ■ **Foundation:** Crawlspace, Unfinished Walkout Basement



First Floor: 2,499 sq. ft. ■ **Second Floor:** 1,130 sq. ft. ■ **Total:** 3,629 sq. ft. ■ **Bedrooms:** 5 ■ **Bathrooms:** 4 ■ **Dimensions:** 67' - 6" X 69' - 10" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement



FIRST SECOND



PLAN # **HWB1010009** ■ **5-SET** $915 ■
8-SET $970 ■ **REPRO** $1,225 ■ **CAD** $2,085

Square Footage: 2,395 ■ **Bonus Space:** 660 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 $^{1}/_{2}$ ■ **Dimensions:** 62' - 6" X 77' - 4" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement

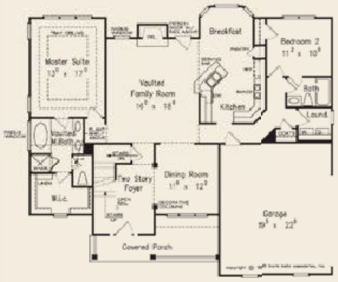




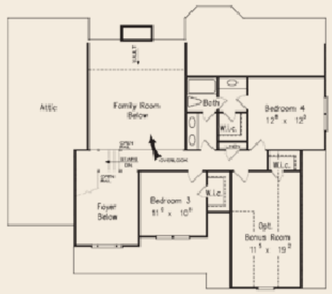
PLAN # **HWB1010010** ■ **5-SET** $845 ■
8-SET $910 ■ **REPRO** $1,145 ■ **CAD** $1,915

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First Level: 1,583 sq. ft. ■ **Second Level:** 543 sq. ft. ■ **Total:** 2,126 sq. ft. ■ **Bonus Space:** 251 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 ■ **Dimensions:** 53' - 0" X 47' - 0" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement



FIRST



SECOND



PLAN # **HWBI010011** ■ **5-SET** $845 ■ **8-SET** $910 ■ **REPRO** $1,145 ■ **CAD** $1,915



PLAN # **HWBI010012** ■ **5-SET** $845 ■ **8-SET** $910 ■ **REPRO** $1,145 ■ **CAD** $1,915

First Floor: 1,322 sq. ft. ■ **Second Floor:** 1,262 sq. ft. ■ **Total:** 2,584 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 ■ **Dimensions:** 48' - 0" X 50' - 0" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement

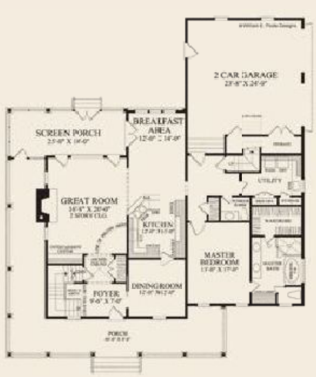


FIRST



SECOND

First Floor: 1,921 sq. ft. ■ **Second Floor:** 921 sq. ft. ■ **Total:** 2,842 sq. ft. ■ **Bonus Space:** 454 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 1/2 ■ **Dimensions:** 62' - 2" X 71' - 0" ■ **Foundation:** Crawlspace, Unfinished Basement



FIRST



SECOND



PLAN # **HWBI010013** ■ **5-SET** $800 ■ **8-SET** $875 ■ **REPRO** $1,100 ■ **CAD** N/A

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PLAN # HWB1010014 ■ **5-SET** $800 ■
8-SET $875 ■ **REPRO** $1,100 ■ **CAD** $N/A

First Floor: 2,014 sq. ft. ■ **Second Floor:** 976 sq. ft. ■ **Total:** 2,990 sq. ft. ■ **Bonus Space:** 390 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 1/2 ■ **Dimensions:** 73' - 9" X 55' - 5" ■ **Foundation:** Crawlspace, Unfinished Basement



FIRST



SECOND

First Floor: 1,305 sq. ft. ■ **Second Floor:** 1,052 sq. ft. ■ **Total:** 2,357 sq. ft. ■ **Bonus Space:** 430 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 69' - 4" X 35' - 10" ■ **Foundation:** Crawlspace, Unfinished Basement

FIRST



SECOND





PLAN # HWB1010015 ■ **5-SET** $800 ■
8-SET $875 ■ **REPRO** $1,100 ■ **CAD** N/A



Square Footage: 2,777 ■ **Bonus Space:** 424 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 75' - 6" X 60' - 2" ■ **Foundation:** Crawlspace, Unfinished Basement





PLAN # HWB1010016 ■ **5-SET** $800 ■
8-SET $875 ■ **REPRO** $1,100 ■ **CAD** N/A

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Square Footage: 2,678 ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 70' - 2" X 67' - 9" ■ **Foundation:** Crawlspace, Slab





PLAN # HWB1010017 ■ **5-SET** $845 ■ **8-SET** $910 ■ **REPRO** $1,145 ■ **CAD** $N/A



PLAN # HWB1010018 ■ **5-SET** $795 ■ **8-SET** $855 ■ **REPRO** $1,065 ■ **CAD** N/A

First Floor: 2,009 sq. ft. ■ **Second Floor:** 913 sq. ft. ■ **Total:** 2,922 sq. ft. ■ **Bonus Space:** 192 sq. ft. ■ **Bedrooms:** 5 ■ **Bathrooms:** 3 ■ **Dimensions:** 86' - 10" X 65' - 6" ■ **Foundation:** Crawlspace, Slab, Unfinished Basement

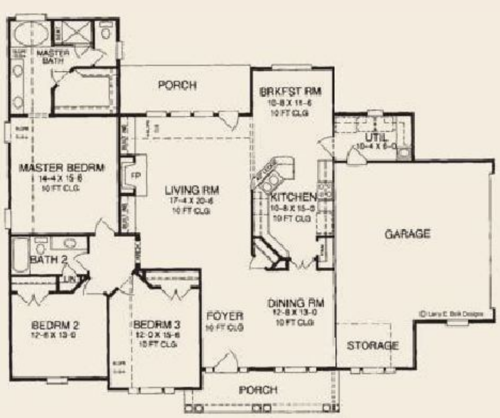


FIRST



SECOND

Square Footage: 1,932 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 65' - 10" X 53' - 5" ■ **Foundation:** Crawlspace, Slab





PLAN # HWB1010019 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** N/A

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Square Footage: 2,745 ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 69' - 6" X 76' - 8" ■ **Foundation:** Crawlspace, Slab, Unfinished Basement



PLAN # HWBI010020 ■ 5-SET $795 ■ 8-SET $855 ■ REPRO $1,065 ■ CAD N/A

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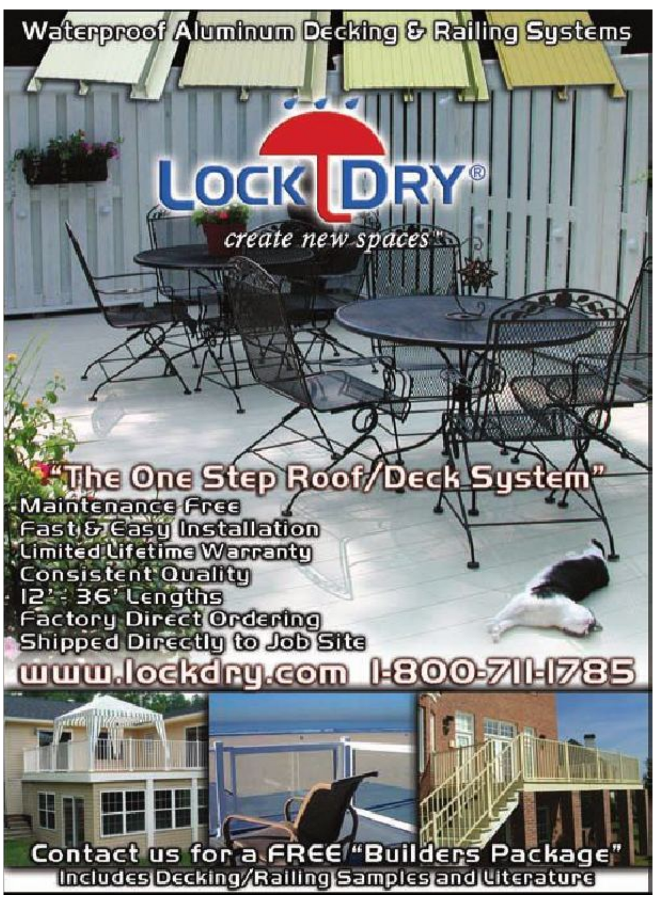
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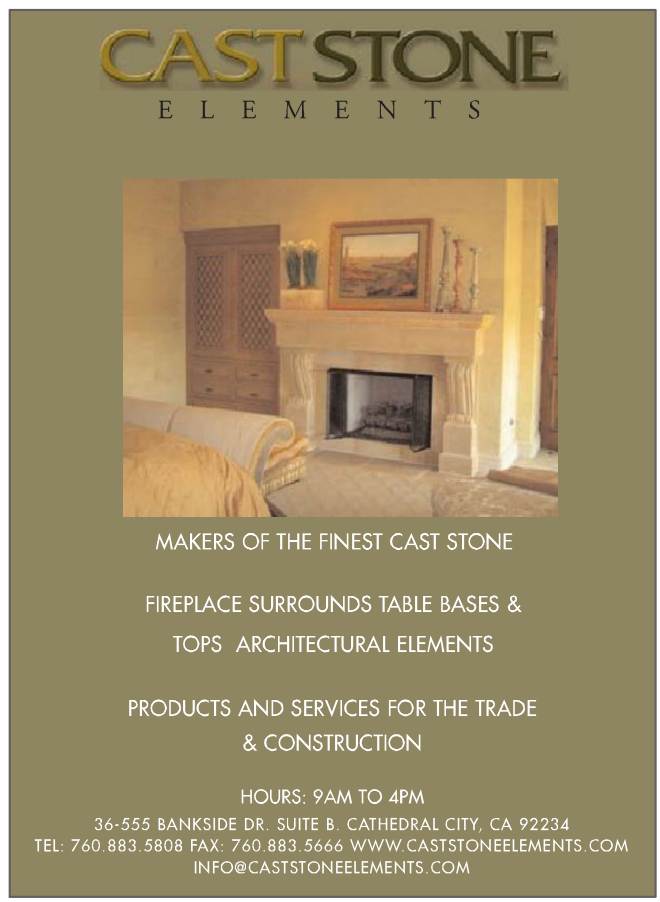


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Stairs, & Molding MILLWORK

Whether you are building production or custom homes, you can make some pretty big statements with small details. Finely crafted stairs, molding, and millwork give you the opportunity to add the right accents and finishing touches to a room, setting your homes apart from the competition. Stair manufacturers offer models to fit any decor or space requirements, and the molding and millwork on the market today can match (or create!) any style. The manufacturers represented in this special section can help you turn any home into a showcase. Read on for some great ideas.



M.L. Condon Company
Circle 234



Melton Classics
Circle 235



The Iron Shop
Circle 236



Outwater
Circle 237

Details That Make a Difference

Adding refinement to a home can be as simple and relatively inexpensive as putting in decorative molding and millwork. These smaller details, taken in as a whole, create a dramatic big picture.

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Melton Classics offers the industry's most comprehensive line of exterior millwork products, including architectural columns, balustrades, cornice moldings, and a wide array of low-maintenance millwork products, shipped factory-direct to its customers' job site. The Tennessee estate home shown in the photo was built using Melton Classics' lightweight and load-bearing FiberWound Classic™ lifetime warranty columns, maintenance-free MarbleTex™ balustrades with integral color, and custom design Architectural Urethane™ dentil cornice moldings.

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Adding decorative elements to your stairs can boost their stylish appeal. **Outwater** has introduced a new line of powder-coated wrought iron elements for use with wood railings. This product line includes numerous balusters, newel posts, powder-coated shoes, and other components, available in round and square plain formats, along with a vast assortment of smooth, hand-forged, edge, or heavily hammered and ribbon-twisted designs in several finishes. Outwater also offers unfinished and ready-to-stain Red Oak turned and box newel posts in a variety styles.

For more information on other high-quality manufacturers of stairs, molding, and millwork, keep reading through this special section.

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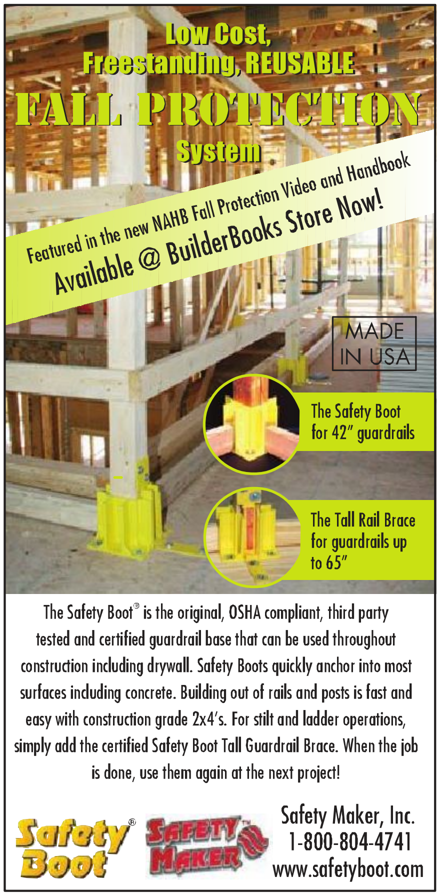
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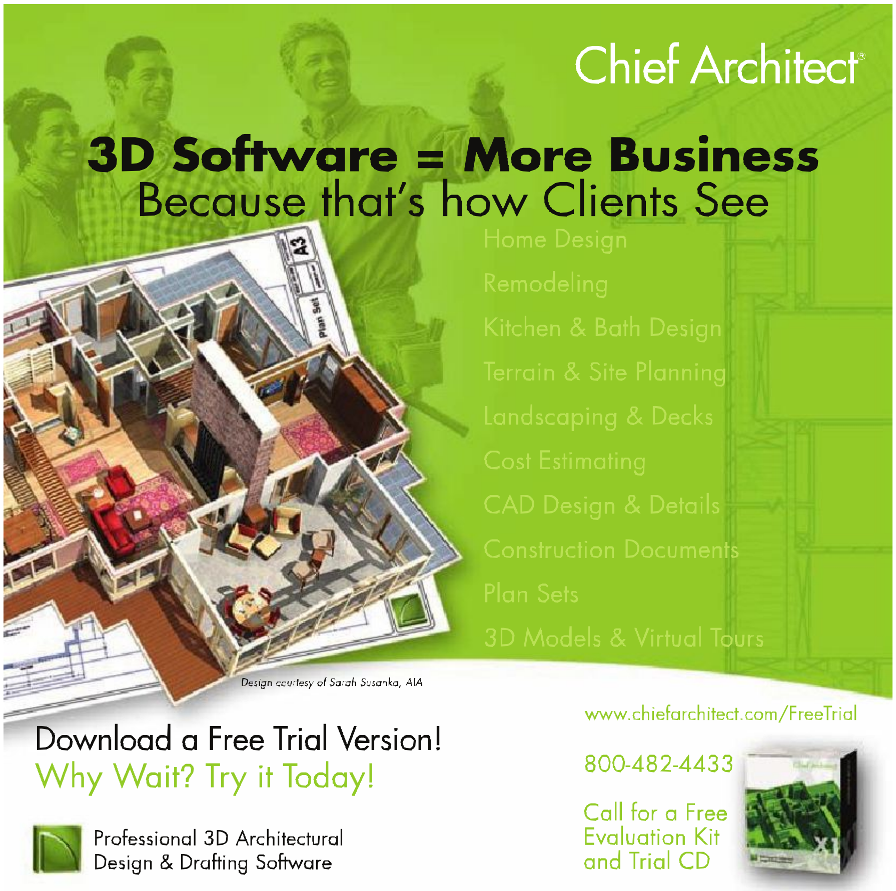
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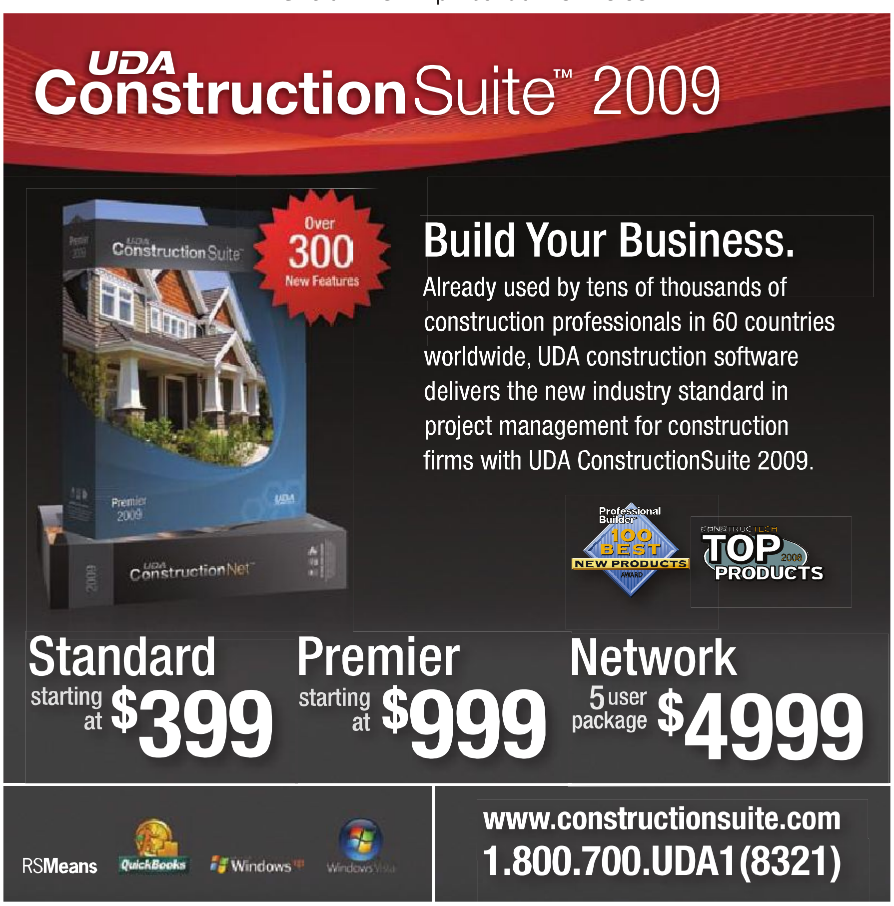
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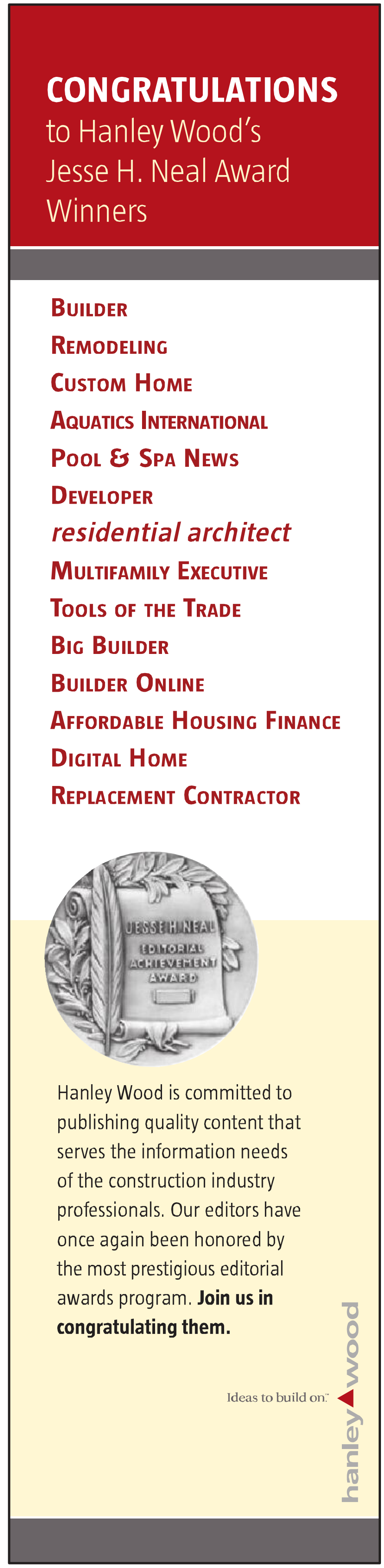
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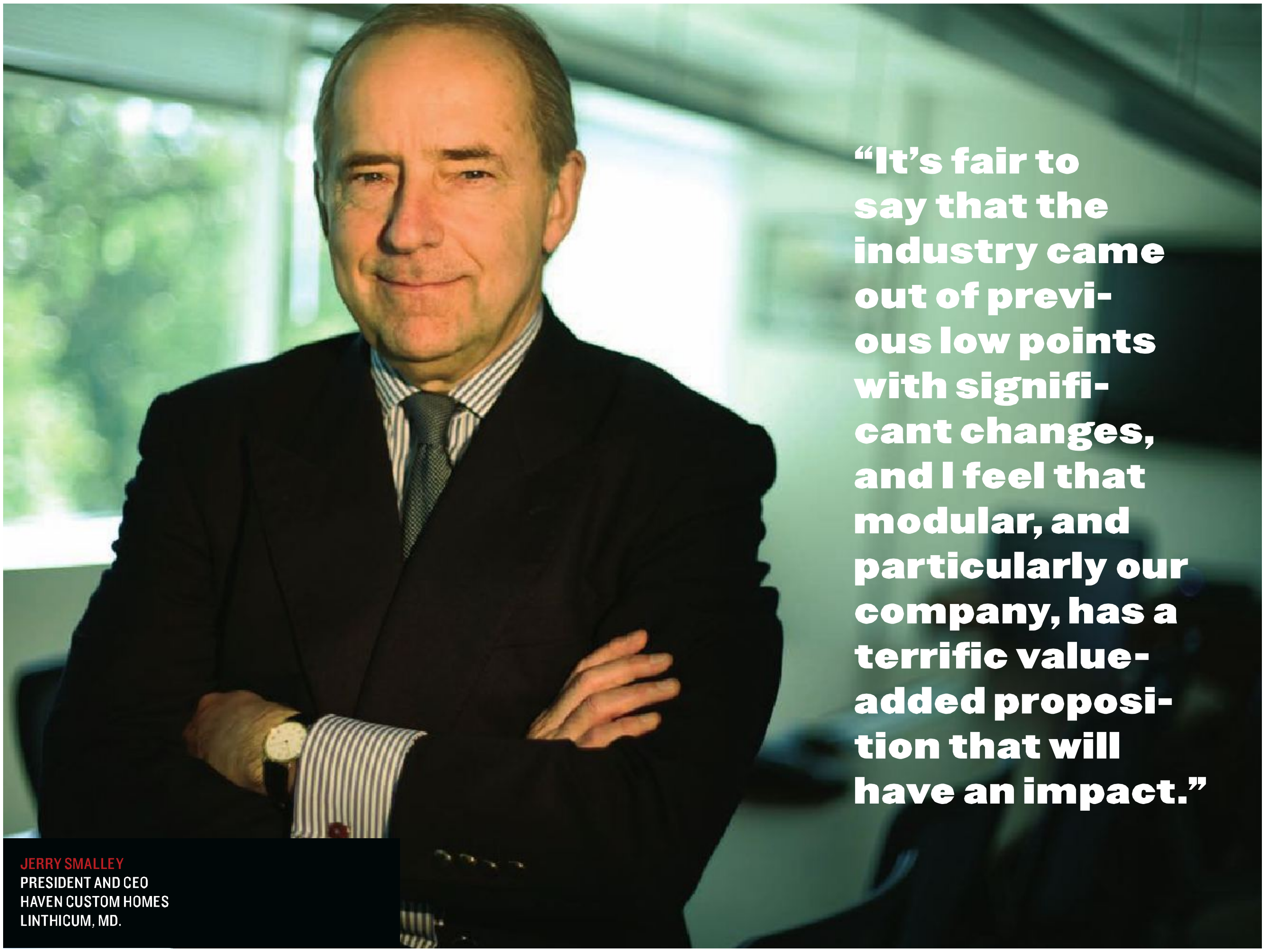
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"It's fair to say that the industry came out of previous low points with significant changes, and I feel that modular, and particularly our company, has a terrific value-added proposition that will have an impact."

JERRY SMALLEY
PRESIDENT AND CEO
HAVEN CUSTOM HOMES
LINTHICUM, MD.

As a custom builder, Haven Custom Homes offers a high level of design and precision, works with the nation's leading architects, and has provided product to some of the most architecturally demanding neighborhoods in the country during its 35-year history. What's surprising is that the company is (and always has been) a modular builder, producing near-complete homes inside a factory serving 25 Eastern states. "This notion that Haven Homes is a custom builder that just happens to employ the modular technique really distinguishes us," says Jerry Smalley, who joined the company in January 2007 as part of an executive team installed after its acquisition by Wind River Holdings. Haven's gross revenues will increase more than 20 percent from a year ago, that alone being a distinctive quality within an otherwise struggling housing industry.—*Rich Binsacca*

Q: How do you manage to build truly one-of-a-kind homes in a factory setting?

A: We've adopted methods and systems that allow us to build from any set of plans and to any specifications, and we don't take a project into production until it is completely procured. We work from a client's plans or from a database of plans from our design partners, and 90 percent of what we build we never build again. Our homes demonstrate that modular and terrific design are compatible.

Q: What's the primary benefit of going modular instead of site-built?

A: We can provide a large measure of the home's production in one contract that is specification-certain, price-certain, and delivery date–certain. On a risk-adjusted basis, that's quite a value proposition.

Q: How and why do your homes outperform site-built homes?

A: We have to be far more precise than a site builder due to how we assemble our units. And people are starting to understand that they can achieve a better-performing home and address green building interests of health, sustainability, and energy efficiency with this method because we have more opportunities to accomplish those things [in a factory setting].

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